

# BEAUTY

L i v e a B e a u t i f u l L i f e

**Live a  
Beautiful  
Life**

**COMPANY  
GENERAL  
INFORMATION**

**VISION  
MISSION &**

**THE BOARD  
OF DIRECTOR'S  
REPORT**

**MARKETING  
ACTIVITIES**

**RESEARCH AND  
DEVELOPMENT**

**Future  
Projects**  
Multi-Channels

**FINANCIAL POSITION  
OPERATIONAL  
PERFORMANCE &**

รายงานประจำปี 2555  
บริษัท บิวตี้ คอมมูนิตี้ จำกัด (มหาชน)

**ANNUAL  
REPORT**

**2012**





BEAUTY



LIFE



COMMUN



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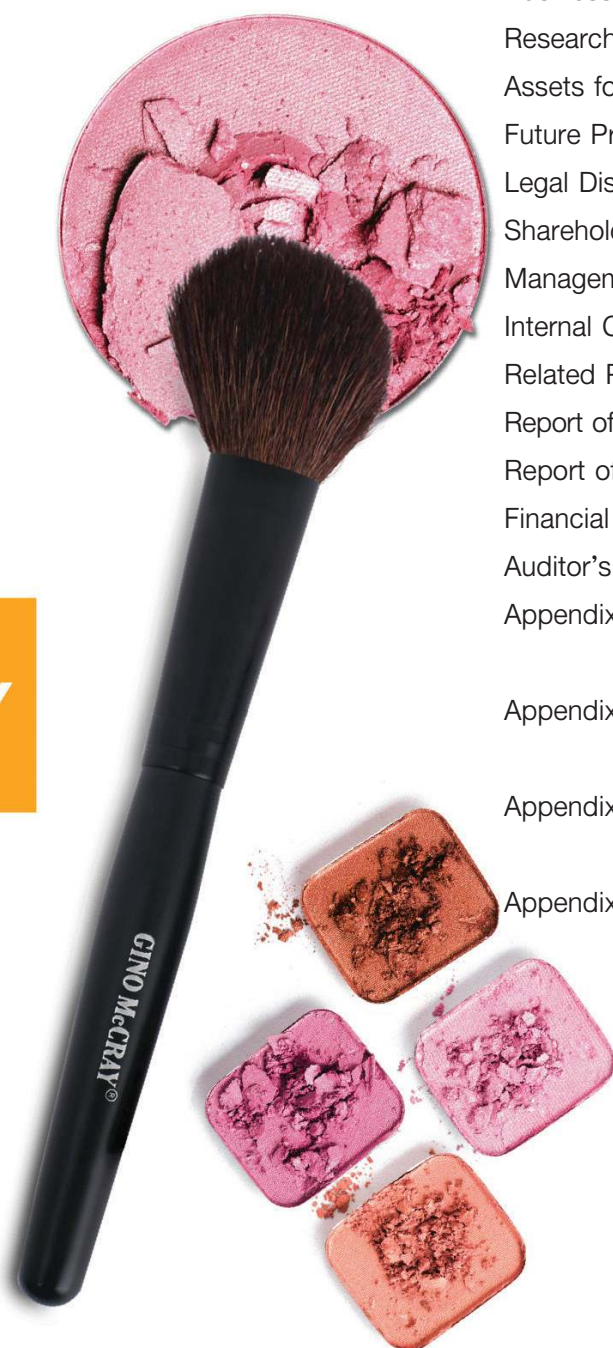


BEAUTY COMMUNITY  
Live a Beautiful Life



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# MULTI-BRANDS

To meet the needs  
of various target markets

**BEAUTY BUFFET**  
The Most Delicious Beauty Shop In Town!



**GINO McCRAY**  
The Professional Make Up

**SCENTIO**  
*Inspired by nature*



**LANSLEY**  
BEAUTY AND WELL-BEING



*Natural Crafted Beauty*



**THE BAKERY**  
SWEET & DELICIOUS





# MULTI-PRODUCTS

To fulfill wide range of customers' needs and lifestyle



# MULTI-CHANNELS

To reach all target markets through various channels



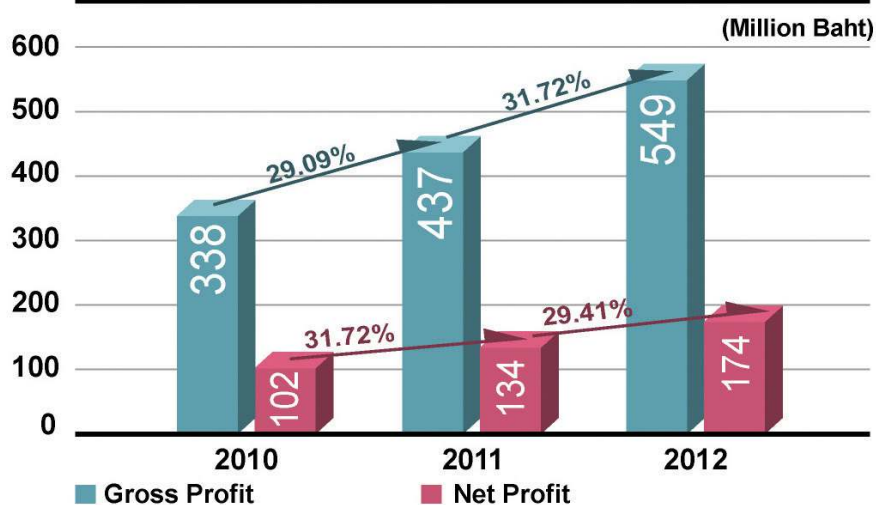
## Key Financial Information

unit : million

Financial Summary	2011	2012
<b>Statements of Financial Position</b>		
Total assets	353.03	1,078.53
Total liabilities	125.97	92.07
Total shareholders' equity	227.07	986.45
<b>Statements of Comprehensive Income</b>		
Total revenues	615.31	777.65
Gross profit	436.91	548.73
Net profit after tax	134.22	173.70
<b>Financial Ratio</b>		
Return on assets	49.68%	24.27%
Return on equity	99.37%	28.63%
Gross profit margin	71.38%	71.27%
Net profit margin	21.81%	22.34%
Current ratio	1.77	10.75
Debt to equity ratio	0.55	0.09
Book Value /	0.76	3.29
Earning per share (fully diluted)	0.45	0.58

## Summary of operation result of year 2012

### Gross profit & Net profit



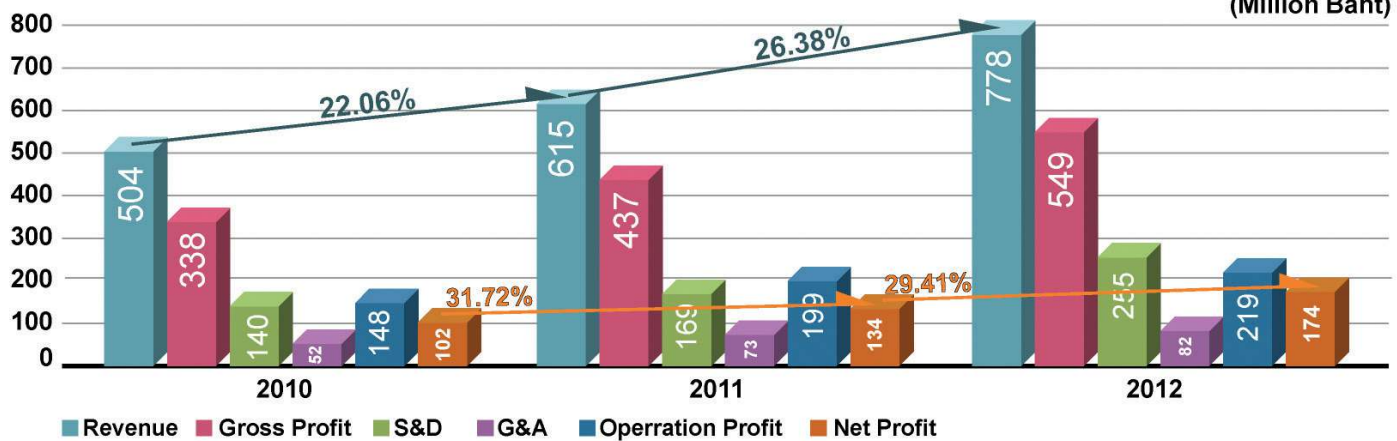
### Gross profit margin & Net profit Margin (%)





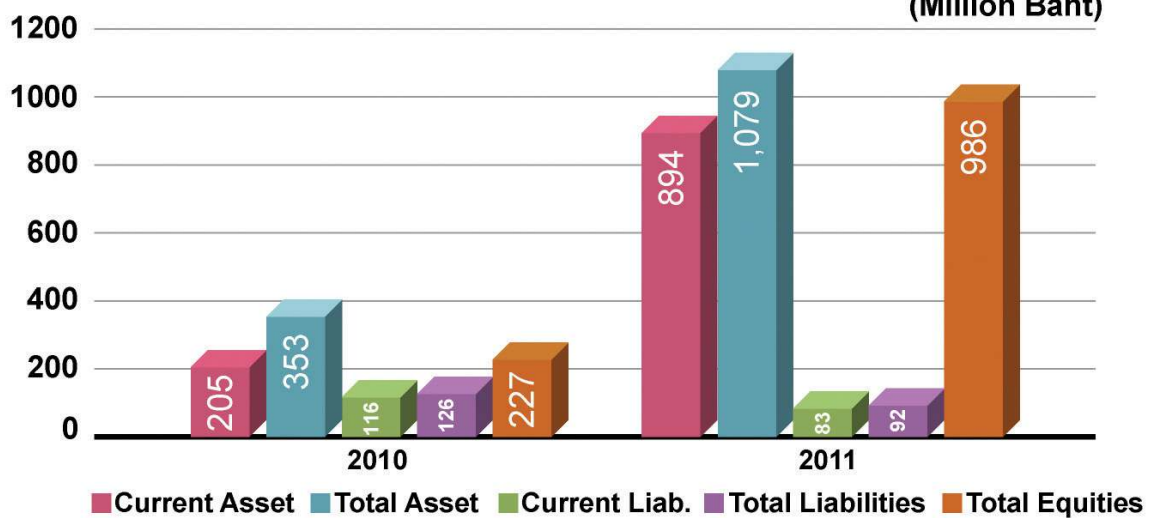
## Profit & Loss Summary

(Million Baht)

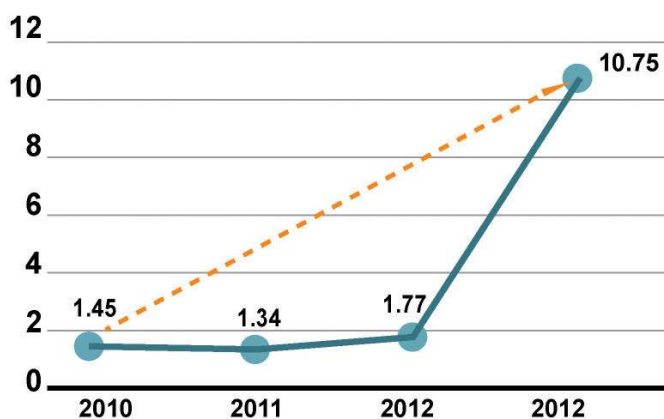


## Balance Sheet

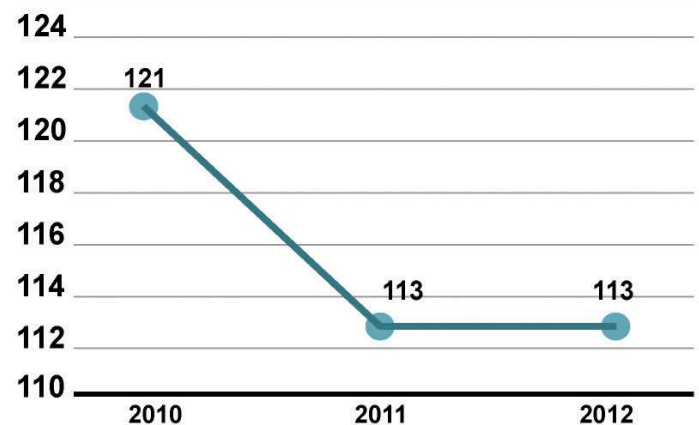
(Million Baht)



## Liquidity Ratio

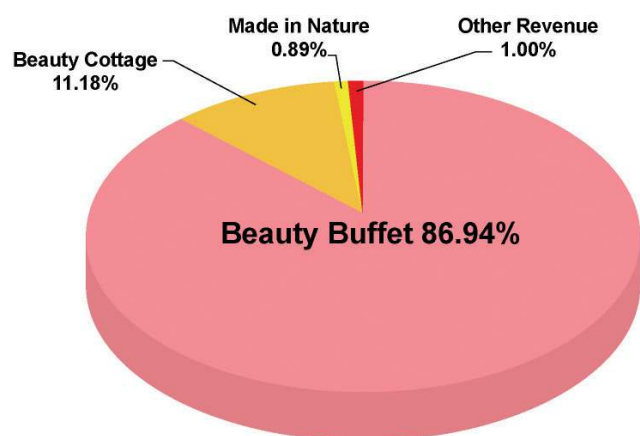


## Inventory Days Finish Goods ( FG.)

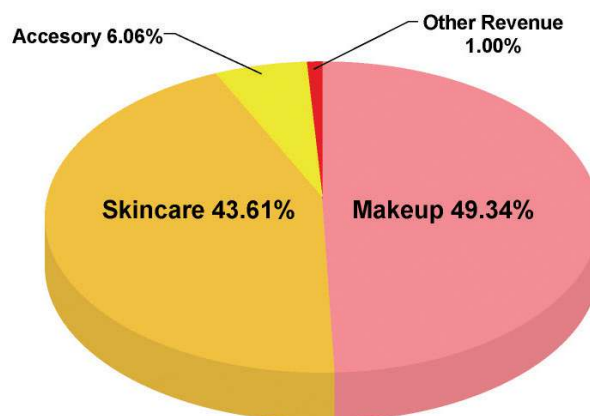




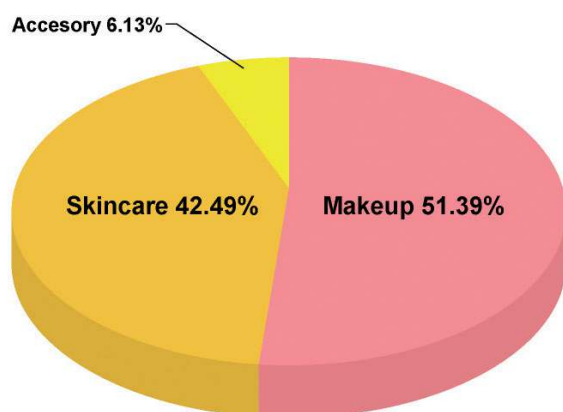
2012 Revenue Structure by Brand



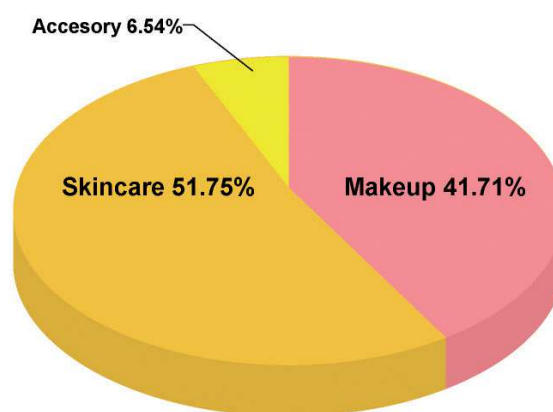
2012 Revenue Structure by Product - Total Brand



2012 Revenue Structure by Product - Beauty Buffet (BB)

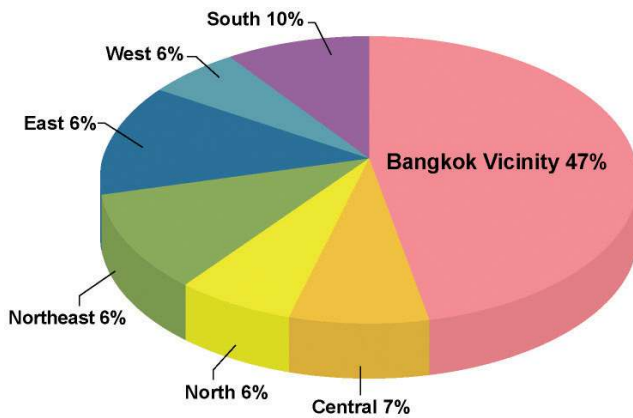


2012 Revenue Structure by Product - Beauty Cottage (BC)

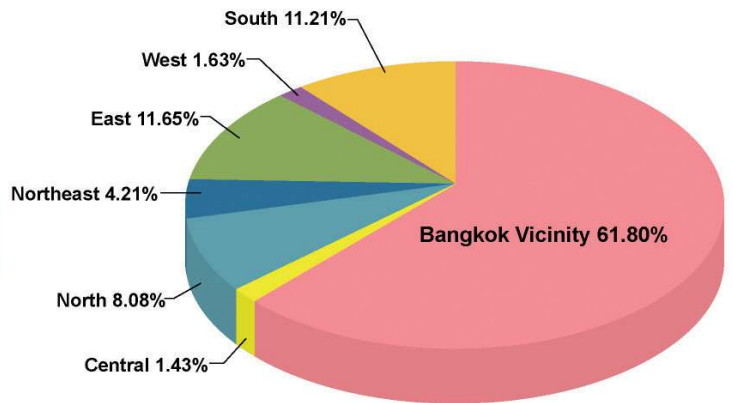




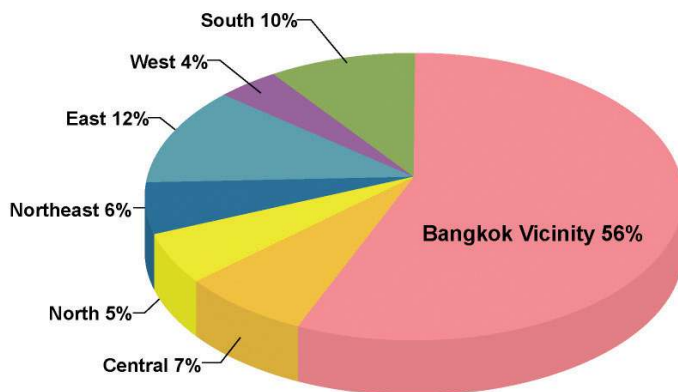
2012 Branch by Geographic (%)



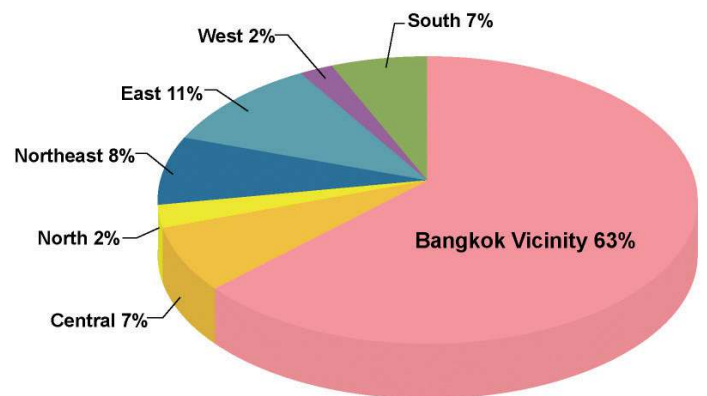
2012 Sales by Geographic (%)



2012 Sales by Geographic - Beauty Buffet (BB) (%)



2012 Sales by Geographic - Beauty Cottage (BC) (%)





# Executive Summary

Beauty Community Public Company Limited (the “COMPANY” or “BEAUTY”) is formerly known as Monapolitan Co., Ltd. The company was established on October 19, 2000 with a paid-up capital of 1 million baht and founded by Mr. Suwin and Mrs. Tanyapon Kraibhues. The company is in cosmetic and beauty products retail business which have a large product variety and are made of high quality ingredients with attractive packaging design in order to respond to customers’ demand.



At present, the company has registered capital of 300 million baht. The company has three product lines which are make-up, skincare and accessories. which cover all customers’ needs.





The beauty and cosmetics industry is constantly evolving and changing. With this in mind, the company has strategies to keep up with market's trends and the competition, as follow;



**Multi-Brands = To meet various and different needs of all target markets.**

As customers of different market segments have different needs and lifestyles, the company has adopted multi-brands strategy to capture different market segments. Each brand has well-defined concept, positioning, character and target group to efficiently penetrate target market and to effectively compete in highly competitive market.

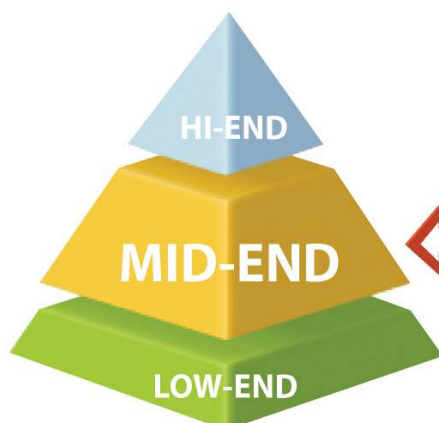
**Multi-Products = To cover all customers' needs, with a wide price range to fit different lifestyles.**

The beauty and cosmetic products cover a broad spectrum of categories, functionalities and price range. The company has embraced the Multi-Products strategy to satisfy all aspects of customers' needs and to offer a wide selection of products and price range. The strategy ultimately helps increase sales opportunity and business growth.

**Multi-Channels = to reach broadest base of customers through multiple distribution channels.**

With years in retail distribution of cosmetic and beauty products, the company has gained significant experience in product development, product distribution and marketing managements. This allows the company to potentially expand its product distribution to various channels, to reach broader market, without totally relying on its own retail stores.

**The company has constantly adhered to the following policy in doing it business;**



- **High Quality Product**
- **Premium Design**
- **Large Target Group**
- **Affordable Price**

From the strategies above, the company presently distributes its products through the following three brand concepts; (1) BEAUTY BUFFET, (2) BEAUTY COTTAGE and (3) MADE IN NATURE. Also, each product has different concept in terms of packaging design, distribution channel and market positioning in order to meet different customer's needs and cover every segment of the cosmetic and skincare products, which details as follows:

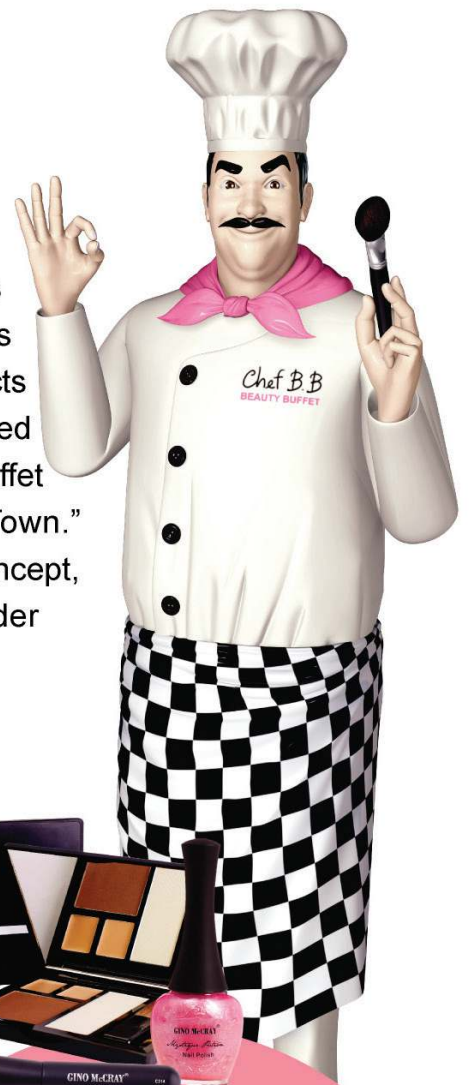




# BEAUTY BUFFET

The Most Delicious Beauty Shop In Town!

“BEAUTY BUFFET” is a unique and outstanding brand which presents a mixed concept between buffet restaurant and cosmetic shop. It offers a variety of product assortment with an excellent service. In Beauty Buffet’s customer can try as many products as they wish before choosing products which are suitable with their needs. In addition, the chef mascot is placed in front of the shop in order to attract customers and to reinforce the buffet concept as well as the slogan “The Most Delicious Beauty Shop in Town.” The products in the shop are multiband and each brand has unique concept, price, and positioning. Each brand is developed and registered under different trademarks in order to cover different target market.



## GINO McCRAY®

The Professional Make Up

“GINO McCRAY” is a color cosmetic and accessory brand in which the product, packaging and price is specially designed for make-up users, which ranging from working-age group to make-up artists.



## SCENTIO®

Inspired by nature



“SCENTIO” is a personal care product which covers shower gel, shampoo, conditioner, facial and body lotion, scrub, hand and foot lotion products. It is made of natural ingredients for nourishing skin at deepest level.

## THE BAKERY®

SWEET & DELICIOUS

“THE BAKERY” is also a cosmetic and accessory brand but targets teenagers and customers who have begun to wear makeup.

The product’s concept is stylish and colorful in order to fit with younger target customers.



## LANSLEY®

BEAUTY AND WELL-BEING

“LANSEY” is a functional skin care products which consists of whitening facial products, firming products and dark spots and wrinkles reduction products.

Beauty Buffet is an affordable brand comparing with other retail and counter brands. The product has a unique design to attract young target group which are teenagers, high school students and working-age customers who care about their personality and appearance. Beauty Buffet products are distributed through the retail shop nationwide and the company has plan to extend more shops in department stores, shopping malls and major supermarkets, including neighboring countries e.g. Cambodia, in order to respond to customer’s growing needs. In addition, the company also has plan to develop or import more cosmetic and skincare brands to maximize company’s competitiveness in the future.





*Natural Crafted Beauty*

## BEAUTY COTTAGE

"BEAUTY COTTAGE" is made of natural ingredients.

The product packaging and retail shop has a vintage theme which blends art and craft concept. Also, the product design and shop is inspired by gentle look of woman in Victorian era, under the slogan "Natural Crafted Beauty". The product concept is simply elegant and every product in the shop is developed under the brand "Beauty Cottage". Furthermore, the company has focused on using high quality, natural ingredients to develop products, including natural flower, fruit, vegetable, herb and plant extracts, which help to nourish skin, retain moisture, reduce wrinkles as well as brighten up blemish skin. The product's target market is young women e.g. college students, working age group, who care about purity and quality as well as their personality and appearance.

The product has been launched since August 2011 and was sold through Beauty Cottage retail shops in leading department stores in Bangkok and nationwide. Beauty Cottage's market positioning is different from that of Beauty Buffet. It is positioned in an upper premium market and targets customers, who are into natural products and truly care about their skin. Beauty Cottage is different from Beauty Buffet, which focuses on variety of stylish color cosmetic products.



# Natural Crafted Beauty

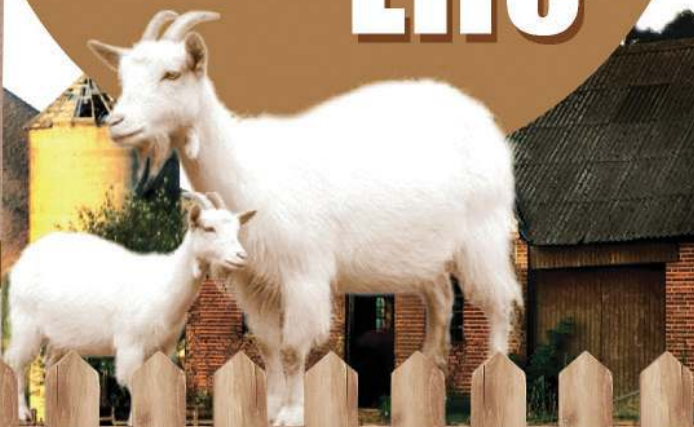




"MADE IN NATURE" is also a natural product brand under the slogan "Live a Natural Life". The concept has been used to design its product and packaging. Made in Nature is a high quality brand for a premium mass market. It was sold through major supermarket and modern trade channels. The company has launched shower gel and body lotion products since 2nd quarter of 2012 and the target group is male and female who cares about his/her personal appearance and are high-end supermarket customers. In addition, the company also has a plan to launch more products under this brand in the near future.



# Live a Natural Life





## Industrial Situation

Cosmetic and skincare products are considered one of the most popular consumer products for people nowadays especially woman who care about their personality as well as their skin conditions. The target group is ranging from teenage to elderly. In addition, cosmetic and skincare products are also popular among male consumers. Therefore, the market value of cosmetic products in Thailand has been constantly growing from 2007-2011 at about 9.4% each year.

The growth rate of cosmetic market is hardly affected by the recession even though cosmetic product is considered a luxury item and has high price. Nowadays people pay more attention to their appearance and continue to spend more on cosmetic and skincare products. In addition, cosmetics consumption rate per person is higher than the growth rate of population which is 0.4% because of two reasons. First, cosmetic and skincare products are expanded to the new target markets which are early teenagers and men who care more about their appearance than in the past. Secondly, the current customer also pays more attention to their skin health and spends more on cosmetic products.

With the growing needs of cosmetic products, the company believes that cosmetics and skin care market in Thailand is steadily growing and healthy. However, manufacturers and distributors need to adjust to keep pace with the changing trend of consumers. For example, the product's components should be developed in higher quality and more diverse in order to meet the expanding needs of customers.

Moreover, Thailand has a trade surplus on cosmetic products in exporting over importing in Asian markets and worldwide constantly. The regional economic integration (ASEAN Economic Community: AEC) and trade liberalization (Free Trade Area: FTA) has affected the import and export duty of cosmetics in most countries in ASEAN and Thailand to become 0% from 2010 onwards. This situation makes the import and export of cosmetics products significantly grow in 2010 and 2011 compared with the previous year's growth.

Even though the ASEAN Economic Community (AEC) and the liberalization of trade provide opportunities for Thai cosmetic manufacturer to prosper in their exporting business, especially within the ASEAN countries; on the other hand; there will be more competition from the higher-end products from Europe, the United States, and Japan as well as lower-priced products from China and the low-cost-skilled-labor country such as Indonesia in Thailand's cosmetic market.

Thai cosmetic manufacturer should adapt their business strategy by creating unique brand and product to export to the world market in order to create product's competitive advantage especially in middle market.

## Competition

Cosmetic and skin care products are highly competitive business because there are many players in the market which include imported brands and the local products from Thailand.

In addition, cosmetic and skin care product is an attractive business because it has high market value. Also, it is likely to continue to grow and the new manufacturer can start the business easily by starting from a small number of stores and distribution centers with the use of a small initial capital cost. Therefore, the number of the new manufacturer is growing.

However, there are many factors which influence business success for the new manufacturers. For example, it is not easy to find good distribution channels as well as to create well-recognized brand and product identity. Furthermore, most of the outstanding sales channels were already occupied by the existing manufacturers and it may cost a lot of working capital to expand more shops or sales agents in order to cover all targeted customers. Also, the creation of compelling products requires a lot of experience and expertise in the business. Thus, the new cosmetic and skin care product manufacturer usually has limited distribution and difficulty to thrive in their business.



Cosmetic and skin care manufacturers use three distributing methods in which most of them distribute their products through direct sales and department stores which are considered indirect competitors. However, the direct competitors are overseas and local skin care products, which targeted to teenagers and early working-age group and are distributed through retail shops, especially products that have competitive price and are well-recognized brands. Nevertheless, the company has moderate market share compared with its direct competitor and has more growth of revenue and branches in contrast with the competitors with greater market share.

Ultimately, with the company's competitive advantage, opportunity from the industrial growth and trade liberalization, as well as the expertise in business, the company believes that it can continue creating a competitive advantage, both domestically and abroad which will result in more growth in the future.

## Summary of Operation

Beauty Buffet and Beauty Cottage distribute products through retail channel. The company launched Beauty Cottage in 3rd quarter of year 2011. The company expanded retail shops in Bangkok, its vicinity and upcountry throughout Thailand. Including additional distribution channel of Made in Nature products through Modern trade market in 2nd quarter of year 2011, total revenue increased continually to 615.31 million baht in year 2011, and the summary revenue of year 2012 was 777.65 million baht or growing rate 26.38% compared to previous year.

The revenues of year 2011 were from distribution of product under Beauty Buffet brand concept. The total revenues were 604.14 million baht which representing 98.18% of total revenue. This is a result of expanding retail shops around Thailand to reach more customers. A total shop at the end of 2011 was 120 branches compared 97 branches in year 2010. The total revenue of year 2012 is 676.06 million baht with growing rate 11.9% compared to previous year, because of expansion shop up to 148 branches as of 31 December 2012 and expanded distribution to Cambodia in February 2012. Proportions of total sale income are 51% of make-up, 43% of skincare products and 6% of accessories respectively.

Due to flood disaster in 2011, Beauty Buffet had to close 25 branches (including shop in Central Plaza Lad Prao was closed temporarily due to renovation of the mall). Products and assets were damaged totaling 0.64 million baht and losing sale opportunity around 15 million baht. However, the company's overall revenue of year 2011, still increased.

The summary performance of "Beauty Cottage" as of year-end 2011 which expanded retail shops to 10 branches and total revenue 7.93 million baht. In year 2012 receiving income from Beauty Cottage in amount of 86.91 million baht with growing rate 995.96% compared to year 2011, there were 31 branches at that time. The strength concepts of Beauty Buffet are to present natural product, natural extracts and enrich treatment. The proportions of total revenue are 52% of Skincare products, 42% of make-up and 6% of accessories respectively.

Total sales income of "Made in Nature" product in year 2012 is 6.92 million baht. Made in Nature offers Shower Cream and Body Lotion product that reachable to all consumer ages. Company has been creating new various products which are expected to increase revenue of "Made in Nature" in the future.

Cost of sales in 2011 is 175.16 million baht, with gross profit 71.38%. Gross profit of year 2011 is higher than year 2010 due to higher sales of higher margin products and higher gross profit rate of Beauty Cottage products. Year 2012 Cost of sales is 221.16 million baht, which is 71.27% of gross profit margin. 2nd quarter of 2012, the company has distributed "Made in Nature" products through the modern trade channel that earning gross profit less than distributing through retail shops. Hence the overall gross profit rate of year 2012 was less, when compared to year 2011. The gross profits of year 2011 and 2012 were 134.22 MB and 173.70 MB and the profit margins rate were 21.81% and 22.34% respectively. The continuous increasing profits are from the fast launching and expanding Beauty Cottage which has more gross profit, but has the same amount of expense and cost reduction (Economy of scale). The company also received reduced income tax from 30% to 23% in year 2012.



## Summary of Finance

Statement as of 31 December 2012, the company has total asset of 1,078.53 million baht which is the current asset 82.85% of all assets, the assets such as Cash and equivalents are 298.26 million baht or 27.65% of total assets. Temporary Investments is 460.00 million baht or 42.65% of all assets. Company has earned profit continuously and received money from selling common shares in December 2012. Inventory balance 123.57 million baht or 11.46% of all assets and 113 days of average selling duration, the reserved inventory is necessary for retail shops regarding any emergency situation like flood disaster. However, inventory are around 98.74%, and average shelf life of products are not over than 1 year which is considered a low risk of deterioration. Account receivable is 3.17 million baht, considered as small portion because of the most sale revenues are in cash. There is none of doubtful accounts. Fixed asset is 184.92 million baht or 17.15% of all assets, the important assets are Lands, Building, and Equipment totaling 122.11 million baht. Other assets are long-term lease of MBK branch, computer licenses and software.

Total liabilities as of 31 December 2012 is 92.07 million baht. Company relied on cash flow and credit term from Account payable. Therefore, almost liabilities of company is Current liability equal to 83.10 million baht. Proportion of Trade Account Payable is 37.11 million baht and other account payable such as Revenue Department, Renting, etc. around 31.73 million baht.

Shareholder's equity as of 31 December 2012 is 986.45 million baht; Debt to Equity Ratio is 0.09. The company mostly used shareholders' equity to finance its investment, which adding flexibility and lowering the risk in expanding the business.



## Message from the Board of Directors

In 2012, the company has grown continuously with the strategies of “Multi brands, Multi products and Multi channels”, the key approaches to drive the business into the growth, to access potential markets and to fulfill wide range of customer’s needs through different distribution channels. The company swiftly and energetically adapts to ever-changing and highly competitive market (Dynamic), focuses on development of new ideas (Creativity) to add value to its products and services and produces unique products with competitive advantage (difference) to the market.

From the strategies above, Beauty Buffet, the key business of the company has expanded continuously. In year 2012, the Beauty Buffet has escalated its retail outlets to 148 branches throughout the country. Beauty Cottage, the company’s new brand concept, opened its first branch at the end of year 2011 and expanded to 31 branches in year 2012. In the early 2nd quarter of 2012, the company has introduced Made In Nature, a line of natural beauty products, under the slogan “Live a Natural Life”. Made In Nature focuses on premium mass market through modern trades and large scale supermarket.

Regarding the international expansion and opportunities, the company has launched its first Beauty Buffet branch, in Phnom Penh, Cambodia. The company has the policy to distribute its brands and products to other countries, especially AEC countries which has a promising economy growth, with a combined population of over 600 million.

In year 2012, the company significantly improved its operations and performance at all level. On the 31st July, 2012, the company had its status changed to public company limited. The company was listed on the stock exchange of Thailand and had its First Day Trade on the 12th December, 2012.

Finally, on behalf of the board directors, the company would like to thank shareholders, customers, business partners and all employees for their cooperation. The management is determined to lead the company to continued growth and success, and operate its business with transparency and good governance, with the best interests of all in mind.

Board of Directors  
Beauty Community Public Co., Ltd.



## Board of directors



### **Pol.Lt.Gen. PADET CHARUCHINDA**

Position Independent Director and Chairman of Board Director  
Age (year) 73 years old

#### **Educational Qualification**

- Bachelor of Science, Chulachomkloa Royal Military Academy
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

#### **Works experiences last five years**

2012 – Present Chairman of the Board and Independent Director, Beauty Community PCL  
2000 – Present Advisor of Royal Thai Army, Director of the Provost Marshal General

% of Shareholding - None –



### **Mr. PEERAPONG KITIVESHPOKAWAT**

Position Independent Director and Chairman of Audit Committee.  
Age (year) 51 years old

#### **Educational Qualification**

- Doctor of Management, Sripatum University (Dissertation Pending)
- Master of Business Administration Program in Marketing, Thammasat University And Gothenberg University, Sweden
- Mini MBA in Franchise Nova Southeastern University, USA.
- Bachelor of Science, Chiangmai University
- Retail Studies (Retail Management) Stirling University, UK
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

#### **Works experiences last five years**

2012 – Present Director of International Licensing Co., Ltd.  
2011 – Present Chairman of Audit Committee and Independent Director of Beauty Community PCL  
2007 – Present Managing Director of Business Coach & Consulting Co., Ltd.  
1995 – Present Director of B.T.C. Parts Center Co., Ltd.  
General

% of Shareholding - None –





### Col. ATTAPON SRISANGWARN

Position Independent Director and Audit Committee  
Age (year) 46 years old

#### Educational Qualification

- Bachelor of Laws , Ramkhamhaeng University
- Student of Royal Thai Army War College, 58th class
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

#### Works experiences last five years

2011 – Present Audit Committee and Independent Director of Beauty Community PCL

2011 – 2012 Chief of Staff Officer to the Royal Thai Army Commander Division, the Provost Marshal General

2006 – 2011 Chief of Investigation Department, the Provost Marshal General

% of Shareholding - None –



### Mr. VIBOON POJANALAI

Position Independent Director and Audit Committee  
Age (year) 37 years old

#### Educational Qualification

- Master of Science in Risk Management and Financial Derivatives, Georgia State University
- Bachelor of Accounting, Thammasart University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

#### Works experiences last five years

2011 – Present Audit Committee and Independent Director of Beauty Community PCL

2008 – Present Director of Asia Mineral Processing Co., Ltd.

2004 – Present Senior Account Audit Manager of AST Master Co., Ltd.

% of Shareholding - None –



### Mr. SUWIN KRAIBHUBES

Position Director / Chief Executive Officer  
Age (year) 46 years old

#### Educational Qualification

- Bachelor of Science, Faculty of Medicine, Chiang Mai University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

#### Works experiences last five years

2000 – Present CEO / Director / Deputy Director of Marketing Department and Deputy Director of Product Development & Purchasing Department, Beauty Community PCL

% of Shareholding 32.33%





### **Mrs. TANYAPON KRAIBHUBES**

Position Director / Deputy Chief Executive Officer  
Age (year) 44 years old

#### **Educational Qualification**

- Certificate in Nursing, Baromarajonani College of Nursing, Phayoa
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

#### **Works experiences last five years**

2000 – Present Deputy Chief Executive Officer and Director of Beauty Community PCL

**% of Shareholding** 24.33%



### **Mrs. CHAYANUNT KHUEANPHAN**

Position Director / Executive Director  
Age (year) 37 years old

#### **Educational Qualification**

- Bachelor of Science, Associated Medical Sciences, Chiang Mai University
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

#### **Works experiences last five years**

2012 – Present Director / Executive Director and Director of Corporate Communications Department, Beauty Community PCL

2010 – 2011 Assistant Manager of Products Division, Beauty Community PCL

2009 – 2010 Assistant Manager of Sales Division, Beauty Community PCL

2005 – 2009 Sales Department Manager, Beauty Community PCL

**% of Shareholding** 1.67%



### **Mr. PRATYA LEVAN**

Position Director / Executive Director  
Age (year) 44 years old

#### **Educational Qualification**

- Master of Science (M.S.), Mechanical Engineering, University of Kansas
- Bachelor of Engineering (B.E), Mechanical Engineering, University of Maine
- Certificate of Director Accreditation Program (DAP), Thai Institute of Directors

#### **Works experiences last five years**

2012 – Present Director / Executive Director, and Director of Information Technology Department, Beauty Community PCL

2005 – 2011 Deputy Director of Information Technology System Division, Beauty Community PCL

**% of Shareholding** 1.67%





### Mr. SURAPON PHETKLUENG

Position Executive Director / Director of Finance & Accounting Department  
Age (year) 48 years old

#### Educational Qualification

-Master of Business Administration , Kasetsart University  
-Bachelor of Accountancy (Accounting), Chiangmai University

#### Works experiences last five years

2011 – Present Executive Director / Director of Finance & Accounting Department,  
Beauty Community PCL  
2005 – 2011 Account & Finance Division Manager, Thai-Scandic Steel Co., Ltd.

% of Shareholding 0.15%



### Ms. SIRIKAN PHATTIVERANON

Position Director / Director of Operations Department  
Age (year) 47 years old

#### Educational Qualification

-Bachelor of Business Administration (Second Class Honours),  
Faculty of Commerce and Accountancy Chulalongkorn University

#### Works experiences last five years

2012 – Present Director / Director of Operations Department, Beauty Community PCL  
2010 – 2011 Sales Division Manager, Areeya Property PCL  
2009 – 2010 Operation Division Manager, K D N Co., Ltd. (Krispy Kreme  
Thailand)  
2004 – 2009 Franchise Operation Division Manager, Swensen's (Thai) Co., Ltd

% of Shareholding 0.01%



### Mr. NATTAPONG KHUEANPHAN

Position Executive Director /Director of Logistics & Administration Department  
Age (year) 38 years old

#### Educational Qualification

-Bachelor of Science, Faculty of Food Science and Technology, Chiangmai University

#### Works experiences last five years

2012 – Present Executive Director /Director of Logistics & Administration Department,  
Beauty Community PCL  
2006 – 2012 Inventory and Delivery Division Manager, and Advisor of Human  
Resources and Administration Division

% of Shareholding 0.06%

## Vision & Mission

### Company's Philosophy

- Creative
- Dynamic
- Sustainable

### Vision

“ We Create Beauty Products For a Beautiful Life “

### Mission

1. Creating unique high quality beauty products to meet the demands of modern life style.
2. Offering the products to the targeted customers by expanding distribution channels across the country and the region.
3. Developing competitive abilities of the organization to support the ever-changing market and continued growth.
4. Operating the business with good governance and maximize the benefit of shareholders, employees and the society.





## General information of Company

<b>Company Name</b>	BEAUTY COMMUNITY PUBLIC COMPANY LIMITED
<b>Type of Bussiness</b>	Bussiness strategy The company's businesses are cosmetic and skincare products under brand concept "BEAUTY BUFFET" "BEAUTY COTTAGE" and "MADE IN NATURE"
<b>Ticker Symbol</b>	Listed on the stock exchange of Thailand under the ticker symbol "BEAUTY"
<b>Management Policy</b>	MULTI BRANDS , MULTI PRODUCTS , MULTI CHANNELS
<b>Head Office</b>	10/915 Nuanchan 34 Nuanchan Buengnkum Bangkok Thailand 10230 Tel : 02 946 0700 – 6 Fax : 02 946 1571
<b>Corporate Registration No.</b>	0107555000244
<b>Home Page</b>	<ul style="list-style-type: none"><li>● Corporate <a href="http://www.beautycommunity.co.th">www.beautycommunity.co.th</a></li><li>● Beauty Buffet <a href="http://www.beautybuffetshop.com">www.beautybuffetshop.com</a> <a href="https://www.facebook.com/beautybuffetfanpage">www.facebook.com/beautybuffetfanpage</a></li><li>● Beauty Cottage <a href="http://www.beautycottageshop.com">www.beautycottageshop.com</a> <a href="https://www.facebook.com/beautycottageshop">www.facebook.com/beautycottageshop</a></li><li>● Made in Nature <a href="http://www.made-in-nature.com">www.made-in-nature.com</a> <a href="https://www.facebook.com/madeinnaturefanpage">www.facebook.com/madeinnaturefanpage</a></li></ul>
<b>Reference</b>	<ol style="list-style-type: none"><li>1. Certified public Accountant : DIA International Co.,Ltd</li><li>2. Thailand Securities Depository Co.,Ltd (TSD)</li></ol>

# Risk Factors

## 1. Risk of Business

### ● The risk of relying on Beauty Buffet

The main revenue of company is from distributing product under concept “Beauty Buffet”, in year 2011 and year 2012, the total incomes are 604.14 million baht and 676.66 million baht, which representing the proportion 98.18% and 86.94% of total revenues. Most revenues came from domestic retail stores, under “Beauty Buffet”. Cosmetics and skin care products are sensitive to consumer sentiment. Consumer will carefully consider to both negative and positive aspects of products. Therefore, in case of negative situation, which affect Beauty Buffet’s image such as, allergic reaction of Beauty Buffet product, etc. This may affect the sales revenue and performance of company significantly.

Beauty Buffet is a concept shop, developed to sell unique cosmetic and skincare products (Shop Brand). Beauty Buffet is one of company’s retail distribution channels. The company has an ability to develop the concept of shop brand, such as Beauty Cottage to expand its distribution channel. Beauty Cottage is a single brand shop, which offers a complete range of cosmetic and skincare products. In addition, Beauty Buffet shop brand carries multiband products. Each brand has its own market position and target market. The company can develop new brand to replace the old one anytime according to fashion and trend.

Company believes that the risk of negative feedback is low and never been occur in the past. The company gives priority to the quality of product, all product lots are required to pass the test. Company has a 14-day satisfaction guaranteed return policy, which began in year 2551, the return rate is only 0.01% of total revenue. In case of negative feedback on company’s product, company’s management will quickly response to the issue through various communication channels, to limit brand damage.

### ● Risk of products being copied

Company presently doesn’t have policy to establish its own manufacturing facility, but hiring manufacturing partners, which specialize in specific items, to produce the goods for the company. Manufacturers are responsible for sourcing chemical, raw materials and conduct formulation development and manufacturing process. In addition, some manufacturers involve in manufacturing from initial design to finished products. This can lead to the risk of products being copied and may affect the business.

The company is well aware of the risk. The company currently has more than 1,100 items, which were produced by 20 different manufactures. In order to mitigate the risk, the company has made agreements with all manufacturers not to disclose the formulation, production process, including agreements not to produce the same product and sell it on their brand. These agreements are effective during production period and remaining to enforce for 1-3 years.

### ● Risk of relying on manufacturer

According to development of new products, Even company is responsible to consider the main raw material (Active ingredient) , basic features of product and coordinating with manufacturer to determine product formula including some production processes. But overall of material will be provided by manufacturer. In case of manufacturer stops the production process that means the company unable to supply product with the same specifications. If that product is popular and has highly sold, this stop processing may affect to overall performance of company.

The cancellation of manufacturing contracts has never happened in the past. However, company’s policy of risk management is to spread production order to many manufacturers, this is to avoid risk from dependence on any single supplier. The proportion of orders from major manufacturers of year 2011 and 2012 are 22.81% and 13.47% as of total orders, respectively. If any product is famous, company will hire two manufacturers to work on the products. Company also works on product development and initial formula to handle the discontinued manufacturing. Then company will be able to modify or development raw material, ingredient and produce new product which equitant quality or better to customers.



### ● Risk of inventory devaluation

Cosmetics and skincare products always change in demand and popularity. However the company must produce enough inventory to supply all branches. During 2011-2012, Inventory is 25% of all assets and has average selling period of 170 - 176 days (calculated from the total inventory including the packaging, average selling finish goods is around 113 days). Therefore, there is the risk of products devaluation caused by consumer trend changing, which affect the inventory and may be sold in reduced rate.

Company estimates that the risk is relatively low, because of company has surveyed the market and consumer behavior continually. The company has the system to record the sale transaction of all products, this is helpful for analyzing sale statistics, for example; rate of items sold, product life cycle (Life cycle), etc. As the result, the company can plan the production to meet the demand of the market. The company has the backup plan to keep inventory enough to distribute to all branches in case of any emergencies that could occur, such as flooding, etc.

The company's policy is to regularly check inventory and manage shelf-life properly for example, In case of 15 months shelf-life remaining, these products will be sorted into observed product group by Marketing & Sale Department that they will communicate to sale staff to push the sales of those products. In case of 8-12 months shelf-life remaining, Inventory Department will inform Product Development and Marketing Department to launch sale promotion that able to release products quickly.

### ● Risk from being in highly competitive industry

Retail business of cosmetics and skincare is highly competitive, not requiring much of initial investment and has simple business structure to begin with. These result to low barrier to entry for new comers, so that the Company has to face intensive competition which may affect its performance. In addition, the Company also incurs risk related to threats from copied and illegally imported products, which may affect the revenue of the Company. However, new comers are challenged in respect of creating the recognizable brands, increasing sales volume and maintaining long-term customer relationship due to higher capital requirement for promoting and expanding branches. Most new comers are lack of bargaining power for renting in good location, resulting to less competitive advantage compared to the

existing entrepreneurs. BEAUTY expects that the impact from this risk is not significant. In addition, the Company has policy to focus on elevating brand loyalty, so that the imposters or illegally importers cannot imitate. The customers who bought copied products are different from target customers of the Company and the sales revenue of the Company will not be affected.

### ● Risk of terminating the lease contract

Company has opened retail shop to sell cosmetics under concept Beauty Buffet and Beauty Cottage by the number of branches as of December 2012 totaling 179 branches around Thailand (included 6 branches of franchise). Most of shops have short-term leasing contract for 1-3 years (except MBK branch which holding long-term leasing contract). If the owner of place terminates contract that company cannot sell products and may affect to the company's performance.

Most of the lease contracts are made with major supermarket and shopping plaza such as Tesco Lotus, Big C, Central Plaza, The Malls, Robinson, etc. and they treat the company as their Key Account customer and they have renewed lease contract continually, including offering floor plan of new opening plaza to company before other retailer. The company believes that the impact of this risk is low.

### ● Risk from business operation relying on computer systems.

Company uses computer system to manage all retail shop of Beauty Buffet and Beauty Cottage, these systems link to the main system of distribution center which recording all inventory data, customer information and other. The system malfunction may seriously impact the business operation.

However, the retail management system or Point of Sales (POS) of each shop worked independently, it links to main system of distribution center every day end. If there is a failure at any shop it will not affect the other. Company also have disaster recovery plan to ensure business continuity. The company also trains its staff to process the sale manually, in the case of Point of Sales malfunction. In the past, the company could fixed the problem on POS system quickly and not caused any impact on sales. For the warehouse management system, the company has set up the system to backup the data regularly and in case of system failure, the company can recover them in an acceptable time frame.

- **Risk from foreign exchange rate**

Company has ordered from some manufacturer in other countries such as Korea, China, Taiwan, Indonesia, Australia, etc. which agreement on payment is in U.S. Dollars, while selling all products in Thai baht. This risk of loss is from currency exchange rate devaluation. However, total order in foreign currency of year 2011, 2012 was not over 4 million baht, which is 3% of total assets and will not likely increase. This risk of currency exchange is low. As that result, company does not need to set the risk policy for currency exchange. However, if the values of purchasing foreign goods increase in the future, company will consider using forward contract, and this will be consider case by case.

## **2. Risk of major shareholder holding more than 50% of total shares**

As of 15 August 2012, Group of Mr. Suwin Kraibhubes holding 212,499,800 shares, representing 97.90% of the entire issued shares. After sold common shares to be public, the proportion of Mr.Suwin Kraibhubes group reduced to 70.83% of total paid-up capital, as a result, Mr. Suwin Kraibhubes is a major shareholder of company and can control a resolution, excluding the resolution that requires at least 3 out of 4 of the shareholder's meeting, such as increasing fund, reducing the fund, selling or transferring some or all business, etc. Therefore, other shareholders may not be able to collect enough votes to check or balance the chief shareholders.

The company realizes for that risk and then company has appointed 4 independent committee out of 8 members of the board committee, one of them acting as chairman and the other 3 acting as auditor to monitor and balance the authority of executive board. The board of directors has policy maximize shareholders' benefits and clearly define the authority of the Board of Directors, Board of Management and Audit committee. All connected transaction must be evaluated and comply with the regulation of the stock exchange of Thailand.



## Nature of Business Operation

### Background

Beauty Community Public Company Limited (“Company” or “BEAUTY”), formerly known as Monapolitant Co., Ltd. was established on October 19, 2000 with paid –up capital for the amount of 1,000, 000 baht by the co-founders Dr. Suwin Kraibhubes and Mrs. Tanyapon Kraibhubes. The Company’s objective is to run the engage in business of cosmetic products and skin care product retail with an aim to offer variety beauty products through fine selection of raw materials and design.

### Key Changes and Development

1998-1999	The Company launched the first retail store for imported cosmetics and skin care products under the name “NeO” at Siam Square. Then it expanded its business by opening the second retail store under the name “Mona” at MBK Center.
October 19, 2000	Monapolytant Co., Ltd. (the former name) was established with paid-up capital for the amount of 1,000,000 baht divided into 10,000 shares with par value at 100 baht. The company’s objective was to conduct retail business for range of cosmetics and skin care products through the shop named “Mona” with an aim to offer beauty products through range of brands either imported or manufactured in the country. The target group of customer was teenagers who prefer colorful cosmetics. “Mona” shop was expanded through seven branches in several trade centers.
2004	<p>The shop was modernized by changing its name as “Cosmeda” which was different from the former as follows;</p> <ul style="list-style-type: none"> <li>• Select imported products to meet the customers’ need and start ordering more products from domestic sources qualified for exporting products of quality or the Japanese factories in Thailand and order some production from Korea. It used raw materials both from domestic sources or imported ones which enabled the company to better respond the customers’ popularity.</li> <li>• Expand customer base to university students and young working age</li> <li>• Introduce information technology to its store management for the same standard and smooth operation.</li> </ul>
March 3, 2005	The company increased its authorized capital to 5,000,000 baht divided into 50,000 shares with par value at 100 baht in order to obtain working capital for branch expansion. During 2004 and 2006, there were 20 branches of “Cosmeda” opened.
2006 - 2007	In December 2006, the company developed the store pattern and changed its name to “Beauty Buffet”. The stream lined shop was improved in terms of quality of products and packaging under the concept of “Beauty Buffet” that focused on easily access, simple touch, trial, variety, complete and reasonable price. It is the same as buffet restaurant where customers can taste several kinds of food and be able to select the one suitable for their need. The products sold in Beauty Buffet were developed by the Company under its own variety of brands (private label) through which the

customer can select the products best suitable for them under slogan “The most delicious beauty shop in town”.The first “Beauty Buffet” shop opened in Central Department Store, Wong Sawang Branch and it was quite successful. After that the Company renovated all “Cosmeda” shops and changed them to “Beauty Buffet” shops while other branches have been opened continually since 2007.

- 2008 - 2010
- “Beauty Buffet” was widely accepted by customers and so it has been expanded continuously.
- In 2008 it expanded to the north and the east. At the end of the year, there were to tally 34 branches.
  - In 2009, it expanded to the northeastern, the west and the south. There were totally 74 branches at the end of the year.
  - In 2010 it expanded to all the regions of country. There were totally 97 branches.

- 2011
- “Beauty Buffet” continuously expanded its branch especially to the northeast where the customers have high purchasing power. The total number of branches at the end of the year was equal to 120.

Besides, the company launched new concept retail store for cosmetics and skin care products under the name of “BEAUTY COTTAGE” aimed to introduce products from nature with chemical free combined with new shop decoration in vintage style. The first branch was launched at Central Plaza, Lad Phrao, under the slogan, “Natural Crafted Beauty” that refers to the beauty created by nature”. BEAUTY COTTAGE expands its branches continuously. From the first branch launched in August 2011, BEAUTY COTTAGE expanded to Bangkok and its out skirts, the north, the northeastern, and the east. There were 10 branches at the end of the year.

- December 23, 2011
- The company increased its authorized capital to 55,000,000 baht divided into 550,000 ordinary shares with par value at 100 baht. The purpose of such in crease was to buy the land for constructing the head office and as working capital.

- 2012
- In January, 2012, the Company entered into distribution contract with a distributor to distribute products of BEAUTY BUFFET in Cambodia under its standards. The first shop was first opened in February 2012. In April, 2012, the Company launched the products under the name “MADE IN NATURE” which are skin care products made from natural ingredients under the slogan “Live a Natural Life”. The products were sold through the big retail store or Modern Trade. Food Land is the first store the product was placed.

- July 31, 2012
- The extraordinary shareholders’ meeting resolved that the Company shallbe transformed to public company limited and have its name changed to “BEAUTY COMMUNITY PUBLIC COMPANY LIMITED”. In addition, the meeting also



approved the change par value from 100 baht to 1 baht and the increase of authorized capital for another 245,000,000 baht or totaling 300,000,000 baht and list the Company's ordinary shares in the Stock Exchange of Thailand by allocating new shares as follows:

- 162,500,000 ordinary shares allocated to the Company's directors.
- 80,000,000 ordinary shares allocated to the general public.
- 2,500,000 ordinary shares allocated to the Company's executives and employees and the remaining shares shall be offered to the public.

December 12, 2012     It was the first day trade in The Stock Exchange of Thailand.

December, 2012        "BEAUTY BUFFET"'s 142nd branch was opened while BEAUTY COTTAGE had 31 branches countrywide, 6 Franchise, and oversea 1 branch totaling 180 branches.

## Overview of business operation

The Company engages in the business of retail shop of beauty products, cosmetics and skin care products, made of natural extracts which are currently sold in 3 trade dresses, BEAUTY BUFFET, BEAUTY COTTAGE, and MADE IN NATURE; each of which is different in packaging design, distribution channel, and marketing position, in order to respond to different target groups with different needs. The key objective is to create the customer base to cover range of beauty product uses:

### BEAUTY BUFFET

Beauty Buffet's concept is to present mixing model between the concept of buffet restaurant and cosmetic retail focusing on offering range of products under multi brands for customer, with outstanding designs and friendly services. The customers can try on the products freely before making up their mind to buy the ones that most suitable for them. The products under the concept of BEAUTY BUFFET are sold at affordable price compared with other retail brands in the market and those distributed over the counter in the department store. Their unique design can attract the target group of customer ranging from early teenager to working group age who wants to use the cosmetics for their best look. In December 2012, BEAUTY BUFFET has 148 retail stores all over the country. The Company has the policy to continue expanding its branches in order to cover customers at all levels, especially at department stores and leading trade centers. Its business is also expanded to neighboring country such as Cambodia.

### BEAUTY COTTAGE

Beauty Cottage's concept is to present products made of natural extracts in association with special trade dress in vintage style resulting in elegant but simplified features. All products under this concept are sold under the single brand "Beauty Cottage". Beauty Cottage focuses on a fine selection of variety of natural extracts; an ideal for those who give their attention to purity and quality. The target groups are university students and working age group who want to maintain deep skin care. Beauty Cottage was first launched in August, 2011 and has expanded its branches continuously. As of December 2012 there are 31 branches countrywide located in leading department stores in Bangkok and major cities.

BEAUTY BUFFET and BEAUTY COTTAGE offer three main product groups covering all customer needs including make-up, skin care, and accessories. BEAUTY BUFFET is outstanding for its cosmetics while BEAUTY COTTAGE focuses on nourishing products.

## MADE IN NATURE

Its concept involves products from nature presenting through packaging design with natural tone. The products include high quality skin care with imported ingredients especially from Korea, and are to be offered at premium mass market through large scale supermarket and modern trade.

Made In Nature was first launched in the second quarter of 2012, with bath cream and skin lotion which are suitable for daily usage. The customer target groups are women and men who love taking care of themselves and who are general customers of supermarkets. The company has a plan to launch new products under the concept of Made in Nature on continual basis.

## Revenue Structure

### Revenue Structure By Channels

Unit :Million

Revenue Structure	2011		2012	
	Amount	%	Amount	%
Retail Shop Channel	592.55	96.30	736.66	94.70
Franchise Channel	13.73	2.23	20.84	2.70
Wholesales&Other Channels	5.79	0.94	10.99	1.40
Moderntrade Channel	-	-	1.39	0.20
Other revenue Channel	3.24	0.53	7.77	1.00
Total revenue	615.31	100.00	777.65	100.00

### Revenue Structure By Products

Unit :Million

Revenue Structure	2011		2012	
	Amount	%	Amount	%
Make up	314.28	51.08	383.67	49.34
Skincare	257.57	41.86	339.13	43.61
Accessories	40.23	6.54	47.09	6.06
Total revenue by product	612.08	99.47	769.89	99.31
Other revenue	3.24	0.53	7.77	1.00
Total revenue	615.31	100.00	777.65	100.00



## Revenue Structure By Brands

Unit :Million

Revenue Structure	2011			2012		
	Amount	% (Per Total revenue)	% (Per revenue by product)	Amount	% (Per Total revenue)	% (Per revenue by product)
<b>Revenue from Beauty Buffet</b>						
Make up	311.42	50.61	51.55	347.42	44.68	51.39
Skincare	253.15	41.14	41.90	287.23	36.94	42.49
Accessories	39.58	6.43	6.55	41.41	5.32	6.13
<b>Total Revenue from Beauty Buffet</b>	<b>604.14</b>	<b>98.18</b>	100.00	<b>676.06</b>	<b>86.94</b>	100.00
<b>Revenue from Beauty Cottage</b>						
Make up	2.86	0.47	36.07	36.25	4.66	41.71
Skincare	4.41	0.72	55.61	44.98	5.78	51.75
Accessories	0.66	0.11	8.32	5.68	0.73	6.54
<b>Total Revenue from Beauty Cottage</b>	<b>7.93</b>	<b>1.29</b>	100.00	<b>86.91</b>	<b>11.18</b>	100.00
<b>Revenue from Made in nature</b>	-	-	-	6.92	0.89	100.00
Other revenue	3.24	0.53	100.00	7.77	1.00	100.00

## Business goals

The company is confident that business can grow steadily and it will not rely on a brand or a specific distribution channel. Therefore, the previous business operation aimed to create new concept or new brand along with new product concept, including expanding distribution channels continuously which aim to business goals as follow;

- Aiming to be the market leader of Cosmetics products, company has to develop products which meet consumer demand in all beauty products. Including, expanding distribution to new channels (Multi products, Multi brands and Multi channels).

- The company's product lines are not limited to cosmetics and skincare products, but it will provide variety of beauty products to cover all customer needs and keep the quality to the international standard. Company focus is on development of products from natural extracts, unique packaging to compete in both of domestic and international.

- The company also focuses on using Customer Relationship Management or CRM to continually improve customer service and to drive customer loyalty.

- The company's business goal is to expand business efficiently, to gain the competitive advantage, and to maximize the return to shareholders.

# Business Operation of Each Product Line

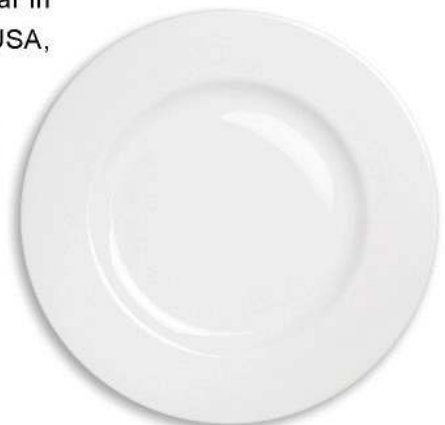
## Characteristics of products and services

The company runs retail business of cosmetics and skin care products; the mixture of natural extracts under the concept of Beauty Buffet, Beauty Cottage and Made in Nature. Beauty Buffet and Beauty Cottage are differently presented through different retail store model or trade dress, packaging and products, market positioning, price level and different customer target groups. Beauty Buffet and Beauty Cottage branches are found in leading department stores or large modern trade in Bangkok and its outskirts and major cities. In addition, Beauty Buffet has been expanded to neighboring countries such as Cambodia etc. During the second quarter of 2012, the company launched bath cream and skin care products under the concept of Made in Nature and will be sold in the large retail stores and modern trades. This purpose is to expand customer and distribution base and it is expected to help obtain more revenues for the company; the key factor to its growth and stability in the future. The products distributed under the concept of Beauty Buffet, Beauty Cottage and Made in Nature are developed through the cooperation of the company and producers both in Thailand and foreign countries. They are the result of an effort of fine selection and beauty innovation in terms of materials and packaging which are proven to be popular in many countries known as beauty trend setter such as France, Switzerland, USA, Korea and Japan. By adapting and selected the best options that match skin condition and taste of Thai people with independently developed packaging to reflect the concept and brand value, the company offers the products as follows.



**BEAUTY BUFFET**  
The Most Delicious Beauty Shop In Town!

ความอร่อย ความงาม



Beauty Buffet's concept is to present mixing model between the concept of buffet restaurant and cosmetic retail, which make it unique and different from other retailers. By applying the concept of buffet style in which range of foods are decorated beautifully and attractively and offered for freely tasting, and after having tried all, the consumers will be able to choose what they want most confidently. Such concept is similarly applied to Beauty Buffet's trade dress where varieties of products are available for selection. They focus on striking colors decoration and friendly services in order to let the customers try on the products freely before deciding to buy the products that perfectly meet their need. In front of the store, there will be a "Chef Mascot" to attract customers. It is designed harmoniously with the shop slogan "The Most Delicious Beauty Shop in Town". The key concepts of Beauty Buffet include.

**Easy Access**

**Variety**

**All in One**

**Reasonable price**

**Fun and Excitement**





In order to make it in harmony with buffet concept, the products sold under Beauty Buffet Shop will be presented in multi- brands. Each brand is selected, assigned with different identity, price level and market position in order to respond to demand of different customer group. This makes "Beauty Buffet" to be able to cover wider customer groups. The products currently sold in Beauty Buffet Shop are classified into make-up, skin care, and accessories. These products are sold in 4 brands which are private label as follows.

## GINO McCRAY®

The Professional Make Up

Gino McCRAY is the brand for cosmetic and makeup accessories for makeup. Its packaging and price level are designated to cover the customer group ranging from working age to professional makeup artists. Products sold under brand Gino McCRAY are subdivided into four series as follows; Pro-Make-Up, Pink Passion, Heritage and the Artist. Each series is designed in different shades of color, identity and market position at the customer's choice.



**THE BAKERY®**  
SWEET & DELICIOUS

The BAKERY is brand for color cosmetics and accessories as those of Gino McCRAY, but it has different designs and price range. The BAKERY is suitable for adolescent or those who are new to make-up.



## SCENTIO®

Inspired by nature

SCENTIO is the brand for daily skin care (personal care) which produced from natural extracts. It covers lines of personal care, such as body lotion, body and facial cream, bath cream, cream scrub, shampoo, hair conditioner, hand and foot cream etc.



**LANSLEY®**  
BEAUTY AND WELL-BEING

LANSLEY is a brand for functional skin care products. Its product lines include whitening, anti-aging, body shape and lifting product.





Beauty Cottage offer lines of natural body care, skin care, hair care, makeup and accessories, under the slogan of "Natural Crafted Beauty"



All products under this concept are sold under the single brand "Beauty Cottage". The products are divided into 3 categories; 1. cosmetics, 2. skin care products and 3. accessories. Beauty Cottage is well known in skin care products. The products are grouped by the feature of ingredient in each product. For instance, product group made of extracts from milk protein and walnut consists of bath cream, cream scrub, skin nourishing cream and body skin nourishing spray, which help lift and brighten skin. The products made of olive extracts, composes of facial cream, eye serum and face massage cream, these products help in skin nourishment, moisturizing and reducing fine lines and wrinkles. This product grouping can help the customer to select product series that meet their need.



Cosmetic products sold in Beauty Cottage Shop are focused on natural coloring from natural extracts under the concept of Natural Crafted Beauty such as eye shadow, blush on, which contains colors from berry extracts as well as skin nourishing agents such as vitamin E, collagen, Aloe Vera etc. Also, in some branches of Beauty Cottage, offer facial massage service.

The products of Beauty Cottage are positioned in an upper premium market than those of Beauty Buffet. Beauty Cottage targets customers, who are into natural products, while the products of Beauty Buffet focus on customers, who prefer vibrant colors and modern look.







During the second  
quarter of 2012,



The company launched "Made In Nature" under the concept of natural product under the slogan

## "Live a Natural Life"

Made in Nature is a concept of natural skincare products, together with natural-colored package design. It offers high quality skin care products, of which the ingredients are imported, especially from Korea. Made in Nature focuses on premium mass market and distributed through large scale supermarket and modern trades.



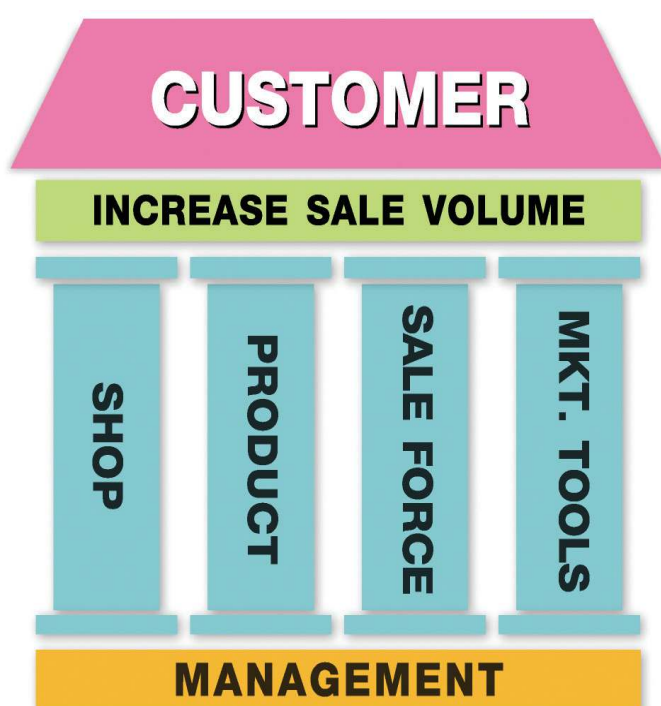


## 2. Major policy on business operation

Most of the revenues are from retail shops, thus, the main policy are focuses on effective management, together with other relevant policies such as location selection, pricing, inventory Management, etc. to help expand business efficiently and to meet the customer satisfaction. The details are as follow;

### 2.1 Business Management Policies

The company has the business management, which could compare be to the Home Model as shown in the figure below;



Retail shop management policy must has the essential elements which supports each other.

Retail shop needs the same core elements as in home structure. These elements must be built in proper proportion, to increase sales revenue and to create customer satisfaction and loyalty.

#### The meaning of each elements of Home Model;

1. **Roof is “Customer”.** Roof is at the top of Home to cover all elements to stay strongly. Customers are essential for the business. The company focuses on maintaining a good relationship with customer to ensure recurring business. The company consistently conducts market researches to identify customers’ needs to develop new products and improve its services and serve all customers with respect and courtesy that they deserve

2. **Beam is “Sales Volume”.** To increase sales volume, Company sets the corporate and individual sales targets, and regularly follow up sales result of the corporate and each individual shops, so company can adjust sales strategy effectively. Sale efficiency is evaluated by number of customers visited, sales per bill, number of member, etc. these can be used to evaluate performance of employees and sale promotion. All sale staff are well-train in sales technique, and how to response to different sales situations.

3. **The 4 columns** are vital for strengthening customer loyalty and creating sales opportunities as described below;

- **Shop** Shop decoration is the attraction of retail store. All retail shops of Beauty Buffet and Beauty Cottage has its own decoration style and each shop shares the same layout, making it easier for customer to find what they are looking for.

- **Products** Each and every product is high in quality with a beautiful packing. Company carefully arranges product display, tester, and price tag. These details are needed to be organized and impressive to customers.

- **Sale Force** All sale staff or employees are well-trained in product knowledge and service mind. A number of sale staff per shop must be arranged properly to shop size and density of customer in the area, to increase sales effectiveness.

- **Market tools** The types of sale promotion which continuously maintain existing customer and increase new customer. Company has the new promotion activity to satisfy existing customer and their life style which cover the most desire of customer. This activity is arranged for both customer types of member and regular, satisfaction warranty and can return within 14days as of receipt date, customer can return product at purchased shop. These policies are to guarantee the quality of company that only few customers returned products in the past.



**4.Management** is at the Foundation. The company's management is responsible for all aspects of the corporate which include sales, customer service, inventory control, retail shop management etc. to keep the operation running smoothly and efficiently

## 2.2 Location Selection Policies

The growth of business is depending on expansion of retail shop. Location is the foundation of business success. Currently, company's policy is focusing to open new shop in Malls and Big shopping plaza such as; Central Plaza, Robinson, The Malls, Major, including to large scale supermarket such as Tesco Lotus, Big C, etc. The company has a good feedback and well-known for customers. Most of retail space contractors treat the company as their Key Account customer and offering floor plan of new opening plaza to company before other retailer.

- Factors which need to be addressed when selecting location; 1. Where is shopping mall located? Is there near to town or university? What is average income per population in that area? These are example consideration.

- Company also considers the internal detail of shopping plaza, for example; a cloudy area, a meeting point that close to food park, cinema, supermarket or escalator.

After the location selection was made, company has to analyze the sale forecast ahead by compare to sale volume of shop in same city or nearest, calculating proportion of rent per sales volume. Renting cost is significant for operating retail shop. If the ratio is acceptable, then renting contract will be signed. Even the expensive rental location, company will consider investing, to help promoting corporate image, for example; branch at BTS Station or Shopping center in central of Bangkok.

However, company will continually analyze performance of each shop. Some branches might be closed if it cannot make profit and cannot increase sale volume in 6month period. Since 2009 until October 2012, only 3 shops of 159 shops were closed due to layout changing of shopping mall which affect customer traffic. (This excluded the temporary closed because of fire situation at Rajchaprasong and Victory

Monument in year 2010, other temporary closed because of flood disaster in 2011. Now, those shops are open as well)

## 2.3 Pricing Policies

Management of Company continuously pays attention to new product development and service to meet customer needs in ever-changing market. Product Development and Marketing Department work in the design concept and initial formulation of the product to meet the market needs, and then setting price to be suitable and competitive whit competitors, and existing products. The company will work with manufacturing for the production plan, controlling material and producing expenses according to the pricing.

The advantage of this pricing management is that the company can control the cost of production, including ability to control the profit margin at reasonable price range.

## 2.4 Product management policies

The company has a policy to regularly monitor inventory and manage its shelf-life properly. The average shelf-life of the company's inventory is about 2.5-5 years from manufacturing date. Product management system concerns to all retail shops. To reduce the risk of product expiry, the company has to work closely with its retail shops to manage the flow of the inventory.

### ● Inventory Management Policies

Company use C-Smile program to manage inventory data between distribution center and Point of sale (POS) of all shops. This system can generate the update of sale reports, branch inventories and back office inventory.

The company uses FIFO (First in - First out) to manage its inventory. Distribution center manages inventory by its shelf-life as follow;

In case of 15months shelf-life remaining, these product will be sorted into observed product group, company will calculate how long these items will be sold out, and push the sales appropriately.

In case of 8-12 months shelf-life remaining, Inventory De partment will inform Product Development and Marketing Department to launch sale promotion in order to sell products quickly.

In case of 5-7 months shelf-life remaining, the company will release a higher level of promotion to drive sales effectively.

If shelf-life remaining less than 4 months. This product is not allowed to distribute the retail shops. The company never has inventory less than 4 months shelf-life in the past.

- **Inventory Devaluation Policy**

Company has policy on obsolete inventory based on its shelf-life, which divided into finished goods and packaging. The finished goods are divided into several product type such as make-up, facial skincare, body skin care, hair care, gift set, etc. The devaluation policy is vary according to product age and category. The maximum allowance of devaluation at 100% for products with more than 3 years of age. However, as of 31 December 2012, the company has finished good inventory aged over 1 year about 0.05 million baht (excluded damaged inventory) and doesn't have inventory aged over 2 years. For the packaging inventory, which has the storage life longer than finished goods, as of 31 December 2012, packaging inventory aged over 2 years is about 0.17 million baht.

The company has policy to reserve the allowance for inventory devaluation at 100% for the products that are classified as damaged, expired or discontinued products. The damaged products will be stored in a separate warehouse and go through destroying process as guided by the Revenue Department of Thailand. In the past, company has never had expired inventory.

- **Retail loss prevention policy**

The company performs a physical inventory count of every item in its retail stores every month, however many items are small in size and prone to loss. The company has set a monthly budget to award the branch that does not have inventory loss. In case of inventory loss, sales staff of that branch will have to responsible for loss items for full value. This policy is to encourage sales staff to work responsibly as team. Over the past year, inventory loss represented about 0.3% of total sales revenue.



### 3. Market and Competition

#### 3.1 Distribution channel

- Retail shop

The main distribution channel of company is its retail shop, under the concept of Beauty Buffet and Beauty Cottage which located all over Thailand. The average sales revenue of this channel for year 2010 – 2012 around 95% of overall sales revenue. Beauty Buffet opened the first branch in year 2006 at Central Plaza, Wong Sawang. Beauty Cottage opened the first branch in 3rd quarter of year 2011 at Central Plaza, Lad Prao, then expanding continuously with total number of shops at the end of 2007 – 31 December 2012 as shown in the table below;

Number of branches by region

Region	Number of Beauty buffet branch		Number of Beauty cottage branch	
	2011	2012	2011	2012
<b>Bangkok &amp; Vicinity</b>	63	68	6	15
Central	9	10	-	3
North	4	7	1	2
Northeast	6	12	1	4
East	16	19	2	4
West	9	10	-	1
South	13	16	-	2
<b>Total</b>	<b>120</b>	<b>142</b>	<b>10</b>	<b>31</b>
Franchise	6	6	-	-
Oversea	-	1	-	-
<b>Total Branch</b>	<b>126</b>	<b>149</b>	<b>10</b>	<b>31</b>

Number of branches by shopping center and modern trade outlet

Shopping Center	Number of Beauty buffet branch		Number of Beauty cottage branch	
	2011	2012	2011	2012
Tesco Lotus	42	52	1	1
Big C	27	31	1	3
Central Plaza	16	17	4	12
The Mall	6	6	2	4
Robinson	4	4	0	1
Major Cineplex	4	4	0	0
BTS	4	4	0	0
Others	17	24	2	10
<b>Total</b>	<b>120</b>	<b>142</b>	<b>10</b>	<b>31</b>
Franchise	6	6	0	0
Oversea	-	1	-	-
<b>Total Branch</b>	<b>126</b>	<b>149</b>	<b>10</b>	<b>31</b>

#### ● Modern Trade

The Large Retail Stores or Modern Trade is new distribution channel. Company began selling Made in Nature during year 2012, focusing to sell at large supermarket such as Villa Market, Tops, Food Land, Gourmet Market (The Mall), Golden Place, Fuji Supermarket and 7-catalog by placing position as Premium mass product that is a high quality products and appropriate widely with compatible price.

Company started distributing Made in Nature products through Modern Trade in April 2012 at Food land for the first place. In year 2012, company has a proportion of sales revenue 0.89% of overall sales.

#### ● Wholesale

Company distributes products as wholesaling to partners for expanding sales to the areas which are not covered by the branch of company. However, company did not intend distributing products through wholesale because the sale revenue from wholesale is decreased since company expanding more retail shop to cover more areas. Average sale revenue through wholesale channel during year 2010 – 2012 is around 1% of total sale revenue.

#### ● Franchise

In the past, company had a policy to expand Beauty Buffet through franchise opportunities. Currently, most of domestic branches are company-owned, and 6 branches of franchise. However, company continues giving the right to franchise that has worked since the past. The franchise agreement was written obviously regarding to the operation of business. Average sale proportion during year 2011 – 2012 is around 3% of total sales revenue.

#### ● Oversea Distributor

The distribution to oversea market; company has a policy to work with the local distributors in other countries, who specialized in distributing products in their market. In Year 2012, company has initiated product distribution through distributor in Cambodia with concept of Beauty Buffet, under the same management standard, decoration and service quality as Beauty Buffet in Thailand.

Company distributed products in Cambodia on February 2012, by the year 2012 the sales revenue was about 0.4% of total sale revenue.

### 3.2 Marketing strategy

Company's marketing strategy based on the purchasing behavior of customers. The management agrees that in cosmetics and skin care industry, customer were considering product image and very loyal to brand (Product Loyalty). Nowadays, consumers are paying attention to product more than the past because the current manufacturers develop products with similar and comparable in quality. Even though the current and future market trend are competing and working in Brand Loyalty and Brand Value, but Branding strategy will not catch the market and cannot meet the all consumer's needs. However, company has strategy of producing various brands, to make trusty and value-add to each brand. New products are indicated into different market position and widely covered all customers' needs including prior on existing customers of each brand. The company's marketing strategies are as follow;

#### ● Branding Strategy

At present, the company has succeeded in creating Beauty Buffet and Beauty Cottage brands, which are well known and recognized to costumers. The maine revenue comes form retail shops and the company launched new product in concept of Nature in Made, and more expanding representation of products through the Modern trade. The company's branding strategies as follow;



- **Brand Identity**

The company needs to create Brand Identity that is different and memorable; Beauty Buffet has own brand identity that presenting the variety products like buffet foods, Beauty Cottage has brand identity simply elegance, Made in Nature has brand identity of natural products. Company designs each product and package, also shop decoration to be related to each product identity. Product identity is also important factor to determine price range and target market of those brands. So, company has the policy of new product development that will be different from existing concept. New product will be placed into new marketplaces which not overlap to any existing customers. Spreading the risk of relying on the brand and company is expected to stable growing in the future.

- **Service Differentiation**

Beauty Buffet and Beauty Cottage are not focusing to just selling products, but they present the concept of perfectly beauty to customers. Customers will receive a friendly service. All staff are well trained to have professional make-up skill, able to advise the appropriate recommendations to the characteristics of each customer, included recommending appropriate products to customer's skin types. Customer will have confidence and trust into product and making more purchasing, that these services are different than another retail shops or in similar cosmetics price.

- **Creating brands for different distribution channels**

Creating a new brand to new distribution channel is a part of marketing strategy of company. Year 2012, Company has created brand "Made in Nature" to sell thought Modern trade that different from traditional channel, to increase customer base. In the future, the company will create new brand concerning to beauty product, adding to market and seeking others channel continuously.

### **3.3 Customer Retention Strategy**

In addition to development of new brands to each market target. Maintaining customer retention or purchasing repetition are important factor for sustainable business of company. Therefore, company is focusing in customer retention strategies as follow;

- **Adding additional channel**

Company has a policy of continuously expanding shop, started with opening stores in Bangkok and vicinity to make the brand familiar to customers. Then, expand to other regions. Now, Beauty Buffet has distributed retail shops in all regions and Beauty Cottage has started expending to major cities of each region. Customer can access to the shop and repeat purchasing easily, including recognition of product image. However, company has a increasing distribution plan through E-commerce for both products of Beauty Buffet and Beauty Cottage, making more convenient and easily accessible to customers.

- **Quality assurance and product development**

Product quality is a key factor of repeat purchase rate. If product is good quality and reasonable price, customer will be satisfied and positive attitude the company's brand. Company focuses on product development and maintains quality which is appropriate to all skin type and skin color of Thai people. Every production order is required pass testing, to be ensuring the quality and suits to user requirement. Company has intended to provide the new products to meet consumer's trends. Because of cosmetics market has changed style all the time and nowadays some brands are imported from South Korea, Japan which are same customer target. However, product development strategies team has been surveying consumer trend in both of domestic and international market. Company has an open recruitment for manufacturers in Thailand operated by foreign company such as Japanese, or some products are assigned producing from overseas like Korea, etc. This purpose is to develop quality of products, the ability of market competition and completely meet customer needs.

### ● Customer Relationship Management

The company implements the information system to keep customer database for Customer Relationship Management (CRM). Customer Relationship Management System; starting with encouraging customer to register as member, motivating the customer by providing discounts for member and free membership on opening day, or when make a specified amount of purchase. The company record information of address, age, sex, education, etc. including purchasing history of each customer, for example; type of purchase, frequency, product testimonial, other specified requirement, etc.

As the information above, company can arrange marketing activities and sale promotion accordance with the specified requirement or target customers. Sale staff can review purchase history anytime and sell product or giving solution to customers immediately.

### ● Creativity of “Beauty Community”

Online media has increased role in social communication respectively. Company sees the opportunity to reach the target customer through various online channel, which raise to customer’s interaction effectively and company can know the desire of each person, and the problem of product and service. Company has created the online media in different ways as follow;

FACEBOOK :	WWW.FACEBOOK.COM/BEAUTYBUFFETFANPAGE, WWW.FACEBOOK.COM/BEAUTYCOTTAGESHOP, WWW.FACEBOOK.COM/MADEINNATUREFANPAGE
YOUTUBE CHANNEL :	BEAUTYBUFFET LIVE , BEAUTYBUFFETCOTTAGESHOP
JEBAN :	HTTP://WWW.JEBAN.COM/VIEWTOPIC.PHP?T=150422

Creating the above online media is not just intent to communicating product presentation and sale promotion only, but to present the concepts of daily life (Life style) which is compatible to the brand concept, interesting and customer can participate creating the new concept, for example; New make-up trend, applying decoration of brand in daily life as well, etc. Including arranging activities such as; Make-up contests, etc. That customer will follow as social online community or “Beauty Community” which company is likely host and customers are likely guest in accordance the purpose of two ways communication and making long term good relationship to customer.

### ● Continuously Sale Promotion

To ensure that product information can reach to customer widely. Company has made the traditional media (Traditional Media) in various types which is emphasize consumers to realize company’s brand. Company has advertised in various media to target customer as follow;

- Advertisement through the Free TV channel, and on-air in the each main channel
- Advertisement through the Cable TV by on-air with satellite box such as, GMM Z via channel “My Play Lady”. It is live and on-air every Monday – Friday, time 17:00-18:00 and repeat on-air in 12:00-13:00
- Advertisement on magazine, by focusing on teenager’s magazine such as, S Cawaii, Cleo, Kazz, Ops, etc.
- Advertisement on other published magazine and thought the public relation news such as, Lisa magazine, Sweet magazine, Slimming magazine and www.jeban.com, etc.

However, company focuses on the advertisement in Traditional Media for Beauty Buffet’s brand primarily due to having branches around Thailand and easy to reach customers, and advertisement is highly effective.



### 3.4 Target Customers

Cosmetics and skincare products are categorized as consumer products, and the company are focusing on retail channel. The target customers or end-users are mostly women who using cosmetics and skin treatment more than men. The products selling through Beauty Buffet, Beauty Cottage and Modern Trade target different segment of customers and have different market positioning.

- **Target customer for Beauty Buffet**

Beauty Buffet offers a variety beauty and skincare products, with competitive price comparing to other retailer in the market. Target customers are ranging from teenager such as student to working-age group who prefer color cosmetics and modern look.

- **Target customer for Beauty Cottage**

Beauty Cottage is skincare product line, made from natural extracts, presenting in beautiful and attractive package. Target customers are college students, working-age group who prefer using skincare products.

- **Target customer for Made in Nature**

Made in Nature is distributed through Modern Trade channel and its product is suitable for daily usage. The products are made of natural extracts. Target customers are women and men who are into natural products and truly care about their skin..

# Advertising

To create brand awareness, Beauty Community PCL. Has created various commercial advertising through various channels





# ADVERTISING + PR

Magazine ad.



Magazine Tie-in







# AWARDS

## THE CLEO BEAUTY HALL OF FAME 2012

**GOOD BROWS, GORGEOUS EYES**  
แค่เราปรับเปลี่ยนสไตล์แต่งคิ้วและตาด้วยเทคนิคต่างกัน ก็ได้ลุคไม่ซ้ำแบบใครแสนสนุกในทุกๆ วันแล้ว

**NATURAL FOR EVERYDAY**  
วันไหนที่ไม่ทำงานแล้วอยากได้ลุคบูติช ไซ้แวทหน้าใสๆ ไม่อยากแต่งอะไรมาขโมยซีน เติมหิ้วด้วยสีน้ำตาลแดงอ่อนที่สุดตามแนวคิ้วธรรมชาติในรูปทรงที่เข้ากับหน้า จากนั้นเขียนไลเนอร์ที่ขอบตาแบบแซบเข้าไปในแนวขอบตา ให้ความสดชื่นสดใสขึ้น แต่คนอื่นแทบสังเกตไม่เห็นว่าเราเขียนอายไลเนอร์อยู่ เป็นอีกวิธีที่สวยใช้ได้ อย่างเนียนๆ

**DRAMATIC FOR GOING OUT**  
ออกไปสนุกกับเพื่อนสาวต้องจัดเต็มให้ครบทุกจุด เติมหิ้วด้วยสีน้ำตาลเข้มวาดเส้นคิ้วให้หนาและยาว ไซ้เบร้งเขียนขอบตาทั้งบนและล่าง จะเติมปากเป็นสีชมพูอ่อนๆ หรือดำมันเงา ก็ทาสีลิปสติกแดงเนื้อแมตต์เข้าปากหน่อย เร็ดกว่าใครในงานแน่นอน



**LIPS**  
Best Budget Makeup Awards

**CLEO**  
WINNER  
best  
outstanding  
brows and  
eyes makeup





# PROMOTION

**You're So Special**  
เพราะคุณคือคนพิเศษ

มอบของขวัญแทนใจ  
สำหรับคนพิเศษ  
ลดสูงสุดถึง **40%**



**Special Promotion**

**พริ้วสวย!**  
ใคร...ก็อยากมี

**350.-**

**499.-**

**175.-**

**115.-**

**HAPPY GIFTS**  
HAPPY NEW YEAR 2013

**BEAUTY BUFFET**



**LET'S ROLL**  
...LET'S PARTY

**Free**

**Free**



**BEAUTY BUFFET**  
The Most Delicious Beauty Buffet In Town!

**Color is All Around**

**Time To Share**  
สวย สุขภาพดี  
กับเพื่อนของคุณ

**Where to Chill**  
Hang Out & Outing  
กับเพื่อนของคุณ

**COLOR YOUR LIFE**

**New Arrival**  
GINO MCCRACKY  
New York Collection  
New York City

**Color is All Around**

**NEW YORK COLLECTION**

**BEAUTY BUFFET**  
The Most Delicious Beauty Buffet In Town!

**340.-**

**340.-**

**รับบริการ**  
**แต่งหน้าฟรี**

**HAPPY GIFTS**  
HAPPY NEW YEAR 2013

**BEAUTY BUFFET**

**RECOMMENDED!!**

**350.-**

**499.-**

**175.-**

**115.-**

**LET'S PARTY**

**350.-**

**499.-**

**175.-**

**115.-**

**Whiten Your Skin**  
with DOUBLE MILK

**DOUBLE MILK**

**Innovation Hair Care**  
with SCENTJO HAIR PROFESSIONAL SERIES

กลุ่มผลิตภัณฑ์เพื่อการดูแล สุขภาพเส้นผม เพื่อผมสวย สุขภาพดี

**Pro-Keratin**

สุดยอดความนุ่ม  
ผมสวย  
เป็นปรายเงาจาก  
พื้นน้ำรูปผมเสีย  
ให้กลับมีชีวิตชีวา

**โปรตีนเคราติน**  
ผมสวยผมเงา  
ให้กลับมีชีวิตชีวา

ซื้อแพคเกจ 3 ชิ้น  
ลดเหลือเพียง **290.-**

แพคเกจ 3 ชิ้น  
ลดเหลือเพียง **290.-**

**Moisture Recovery**

ผมนุ่มลื่น เรียบ  
เงาจาก น้ำรูปผมเสีย  
หาย...ได้ทุกวัน

**โปรตีนเคราติน**  
ผมสวยผมเงา  
ให้กลับมีชีวิตชีวา

ซื้อแพคเกจ 3 ชิ้น  
ลดเหลือเพียง **270.-**

แพคเกจ 3 ชิ้น  
ลดเหลือเพียง **270.-**

**Up Sell**  
**+ New Product**  
**+ New Consumer**  
**+ Trial**

**Be My Valentine**

**Duo Lover**  
คู่หวาน คู่คุณ

**Chili & Black Pepper**  
Body Perfect Massage cream  
Chili & Black Pepper  
Body Perfect Treatment Oil

ราคาปกติ 1,480  
ราคาสมาชิก 1,180  
ซื้อวันนี้ **1,000**

**Carbolic Strich**  
Mark Cream Therapy  
Carbolic Strich  
Mark Micro Crystal Gentle Scrub

ราคาปกติ 1,150  
ราคาสมาชิก 850  
ซื้อวันนี้ **800**

**Mal & Bontey**  
Diox & Retinol  
Body Cream Scrub  
Mal & Bontey Diox & Retinol  
Body Cream

ราคาปกติ 1,480  
ราคาสมาชิก 1,180  
ซื้อวันนี้ **1,000**

**Pearls & Soybean**  
Body Cream Scrub  
Pearls & Soybean  
Body Cream Scrub

ราคาปกติ 2,300  
ราคาสมาชิก 1,750  
ซื้อวันนี้ **1,500**

**Sunflower**  
Body Cream Scrub  
Sunflower Body Cream Scrub  
Sunflower Body Cream Scrub

ราคาปกติ 920  
ราคาสมาชิก 780  
ซื้อวันนี้ **720**



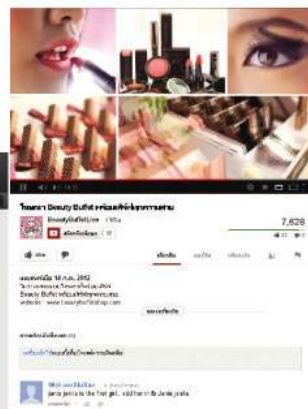
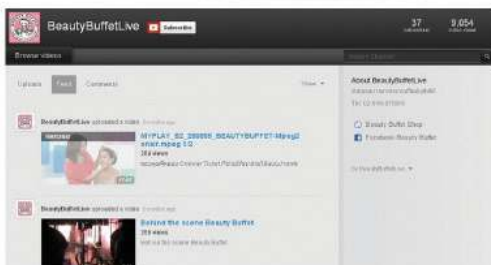
# ONLINE Marketing

# facebook



Knowledge + Branding + Awareness + CRM

# You Tube



# Instagram





# CO-PROMOTION

Beauty Buffet MY POINTS 50



Beauty Buffet  
1.1k 159

Beauty Buffet  
มีส่วนลด 100 บาท เมื่อซื้อสินค้า...

**รายละเอียดสิทธิพิเศษ**  
ซื้อสินค้า Beauty Buffet 1 ชิ้น (ไม่จำกัดมูลค่า)  
สมาชิกสมาชิกฟรี จากปกติต้องซื้อสินค้าครบ 500 บาท  
(สุทธิหรือ ซื้อสินค้าครบ 600 บาท (สุทธิ) ส่วนลดทันที  
100 บาท

**SAMSUNG GALAXY Gift**  
เมื่อใช้สิทธิพิเศษ...  
ดาวน์โหลดแอปพลิเคชัน Galaxy Gift App

Galaxy Gift  
ดาวน์โหลด  
Google play  
App Store

GALAXY Gift

trueYOU

BEAUTY BUFFET

ลูกค้ากรู๊ป  
ส่วนลด **30%**



เมื่อซื้อชุดผลิตภัณฑ์  
Santal Wood Bouquet Set หรือ Shower & Shampoo (Santal) Shampoo & Soap  
(Shower, Body Lotion, Body Bath, Body Milk)  
พร้อมสมาชิกสมาชิกฟรี!  
15 ธ.ค. - 15 ธ.ค. 55

รายละเอียด:  
• ลูกค้ากรู๊ป (trueYOU) สามารถซื้อสินค้าได้ตามปกติ  
• ลูกค้ากรู๊ป (trueYOU) สามารถซื้อสินค้าได้ตามปกติ  
• ลูกค้ากรู๊ป (trueYOU) สามารถซื้อสินค้าได้ตามปกติ  
• ลูกค้ากรู๊ป (trueYOU) สามารถซื้อสินค้าได้ตามปกติ

ดาวน์โหลดแอปพลิเคชัน trueYOU App  
trueYOU App

trueYOU



## Road Show



### Beauty Workshop



### Co Branding Event

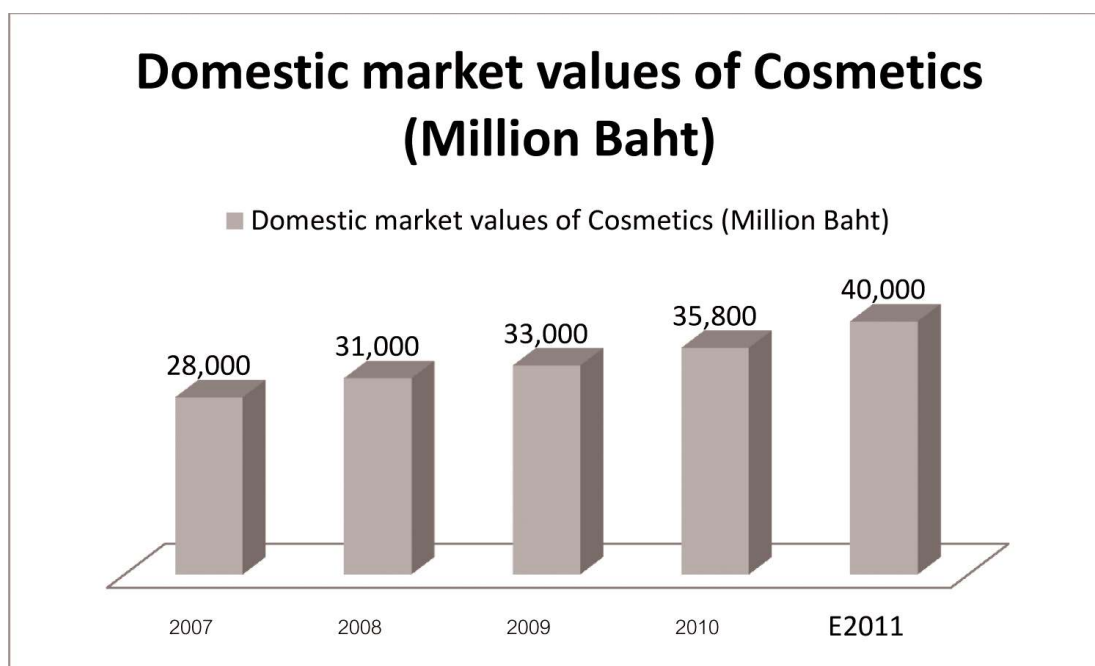


## 4 Industrial outlook and competition.

### 4.1 Industrial outlook

- Opportunities in Thailand.

Presently, cosmetics and skin cares are considered as the popular consumer products for daily life, especially for ladies who love to improve their personalities and to who love to have their skin looking its best. For the woman customers, such as young adult to the elderly. At present, the company found that the Men customer has increased. Advertisements on beauty products for men have increased dramatically in recent years. These advertising directly aims at Men, and the market values of cosmetics and skin cares have been increasing and getting popular in Thailand as shown in table below.



Detail	2007	2008	2009	2010	E2011
Domestic market values of Cosmetics (Million Baht) <sup>(1)</sup>	28,000	31,000	33,000	35,800	40,000
<u>The Growth compared with key indicators</u>					
Domestic Market values of Cosmetics	12.00%	10.70%	6.50%	8.50%	11.70%
Economic Growth <sup>(2)</sup>	5.00%	2.50%	-2.30%	7.80%	1.50%
Population Growth <sup>(3)</sup>	0.30%	0.60%	0.20%	0.60%	0.30%

Ref: (1) Information from Business Research Department, Krungthai Bank (May, 2010). However, those estimated numbers are conformed to the Market value of cosmetics which is disclosed from The Federation of Thai Industries (Jan 19, 2012).

(2) Office of the National Economics and Social Development Board.

(3) The Bank of Thailand.



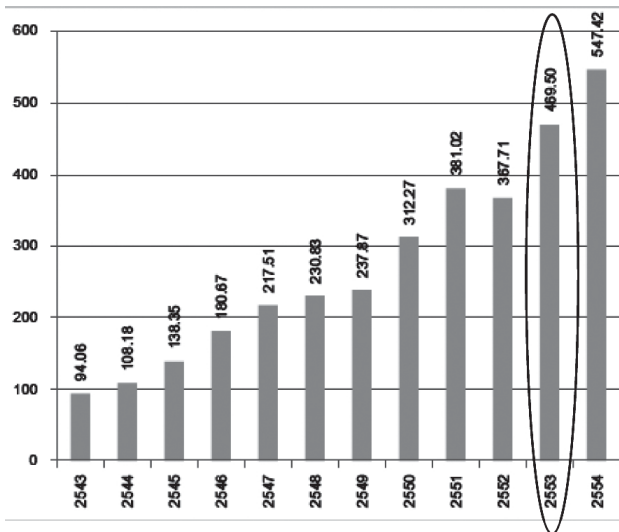
Domestic market values of cosmetics and skincare products have continuously grown with the average growth (2007-2011) of around 9.4%. From the above table, even if the cosmetics and skin cares products are considered as luxury and expensive goods, the cosmetic market has seen a slight effects from Economical situation. Due to the fact that the current society thought which promoting the way to have the good personality leads customers to pay attention to this kind of expenses, moreover, when comparing with the population growth which its average is around 0.4%, we can see that cosmetic consumption's rate per person has continuously increasing. It's because of 2 cases; (1) Cosmetics and skin cares have getting popular among the customers who have never used the products and being popularly used such as early adolescences and Men customers and (2) the old customers who pay attention on self-caring makes the consumption increasing.

According to the statistic, the company believes that cosmetics industry will continue to grow, however manufacturers and distributors have to develop and improve their products to fit the trend and customers' demand.

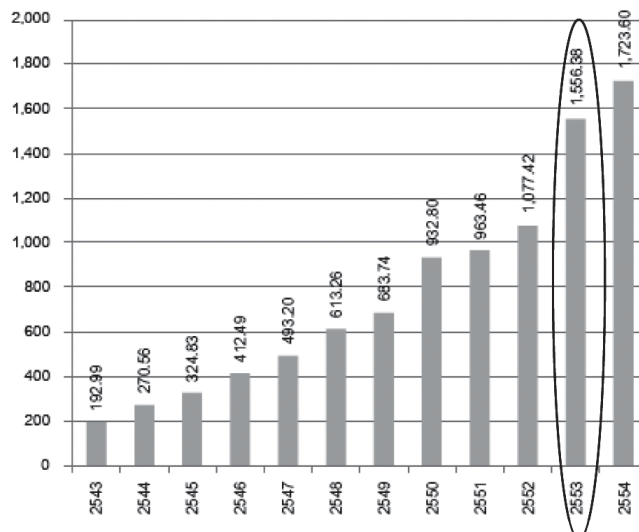
#### ● Opportunities in other countries.

Thailand continuously has trade surplus in cosmetics products with the ASEAN and global market. The import and export values charts between 2000 – 2011 are illustrated below;

Cosmetics import values (US Million Dollar)



Cosmetics export values (US million Dollar)



Ref: Refer to Global Trade Atlas (2012) which appears in the papers on the discussion named "The challenges of Thai Cosmetic Manufacturers and AEC".  
The discussion was arranged by the Federation of Thai Industries on June 27, 2012.

After the initiation of the ASEAN Economic Community: AEC and Free Trade Area: FTA, since 2010, most of import and export duties of cosmetics products have become 0%. This makes the cosmetics import and export in 2010 growing by leaps and bounds compared to the previous year.

The AEC and FTA will extend the capability of Thailand to export more cosmetics, especially to ASEAN countries. In 2011, value of exporting cosmetics to ASEAN countries was around 42% of the total export values, but on the other hand, joining AEC and FTA has increased the competitor in Thai cosmetics market also. The highest cosmetics importers are EUROPE group which get the import values around 32% comparing with the total import values, however, the most interesting cosmetics importers are China and South Korea. Although, both importer have not much import values (8% comparing with the total import values), but they have the great average economic growth between 2010-2011 (around 36% and 32% respectively.) We can see that cosmetics and skin cares trends in Thailand grow the importing of both countries products increasingly.

The trends of import and export cosmetics market; the company expect that there will be more top brands from Europe countries, USA and Japan including inexpensive products from China and the countries that have the lower-cost of labor such as Indonesia which would become low-end market competitors. So that, Thai cosmetics manufacturers should adapt and improve for competition, especially in the middle market, by creating brand or self-identification for World market competition. (Ref: some information in the papers on the discussion named “The challenges of Thai Cosmetic Manufacturers Association and AEC” and the Customs Department)

The company has started to operate cosmetics retail business in other countries. In early 2012, the first branch of Beauty Buffet was launched in Cambodia and the company are continuing to seek opportunities to distribute its products abroad. The company believes that its brands and quality of products will create opportunities and advantages in the global market.

## 4.2 Competition

Cosmetic and skincare product retail business are highly competitive, there are many players in the market which include local and imported brands. The business have the high market values and the continuous growth success in the business is a great challenge of the new business owners. The key factors for the success are locations, brand recognition and brand identity, which most are taken by the old business owners. They need the very large budget to spread out branches and the numbers of appointed distributors to catch and get into customers’ eyes. Moreover, to create the interesting on the products needs the experiences and proficiencies in business, so that, most new business owner in cosmetics and skin cares suppliers can serve only the small market and have the limited target.

There are three major distribution channels for the cosmetics and beauty products retail business (Ref. Kasikorn Research and Positioning Magazine);

1. Direct sales and Multi-level marketing: The channel takes about 50% of the market values. There are various products such as imported cosmetics and Thai cosmetics. This way has taken the greatest market values because it can efficiently approach customers via the appointed distributors which have the lower cost than broadcasting on the public media.

2. Counter sales: The channel accounts for 30% of the market values. The most of products are top-class cosmetics which have been licensed by foreign trading mark.

3. Retail Shop: The channel generates 20% of the cosmetics total market values.

The Counter sales are considered as the indirect competitors of the company. It’s because they can get the customers who have different behaviors from the company’s customers. For the direct sales, they focus on the distributors



to get approaching and presenting their products to customers. It's different from counter sales, most department stores aim to sell the famous brand products imported from foreign countries and target the top-class market which can afford high market price.

So, the direct competitors are the retail sales comprising of foreign and Thai business owners. The focused competitors are the one who supplies any similar products as the company's, the one who have the aims at the young and adult customers, the one who offer the competitive prices and the one who have the well-known or famous brand including widely approaching to the customers as the table below;

Brands	Oriental Princess	Cute Press	BB, BC <sup>(1)</sup>	Karmarts	The Body Shop	Yves Rocher	Etude House	Skin Food
Suppliers	O.P. Natural Products	SSUP1991	<b>BEAUTY</b>	Karmarts Public Co. Ltd.	Earth Cares Products	YveRocher (Thailand)	Cosmega	Malachi Co. Ltd.
Year of foundation	1985	1976	<b>2000</b>	1994 <sup>(2)</sup>	1993	1992	2000	2005
Year of operation	27	36	<b>12</b>	18	19	20	12	7
Paid-up capital <sup>(3)</sup>	78	70	<b>300</b>	360	55	12.5	1	5
Total revenue <sup>(3)</sup>	2,840.95	1,013.06	<b>615.31</b>	381.42	386.69	350.89	286.65	236.78
Distributors <sup>(4)</sup>	287 <sup>(5)</sup>	702 <sup>(6)</sup>	<b>148</b>	689 <sup>(7)</sup>	54	36	46	38
Market Shares <sup>(8)</sup>	35.50%	12.70%	<b>7.70%</b>	4.80%	4.80%	4.40%	3.60%	3.00%

Remark: (1) Beauty Buffet and Beauty Cottage

(2) Karmart Co., Ltd. was found in 1994, but start the cosmetics business in 2011

(3) Million BTH referring to ending annual budget on Dec 31, 2011, except SSUP Bangkok 1991 Co. Ltd., refers to ending annual on March 31, 2011 and Paid-up capital of BEAUTY is referred to the Paid-up capital after registration.

(4) Distributors mean any branches including the sales locations which are stated on Website and Facebook of brands in July 2012.

(5) the Distributors of Orient Princess are referred to the Beauty Book 2012 publishing by O.P. Natural Product Co. Ltd.

(6) Cute Press has 202 branches and distributors, 500 appointed distributors and catalogues.

(7) Karmart has 39 branches, 650 main and minor distributors (end of 2011). They also have other markets such as convenient stores, catalogues, appointed distributors, Call center and etc. (information from 56-1 of Karmarts Co., Ltd. 2011)

(8) Market Shares are referred to each of companies' sales divided by cosmetics market values which are from retailer sales (normally 20% of the annual cosmetics market values of 2011, in conclusion = 40,000 x 20% = 8,000 Million THB)

From the table; the company ranks third in term of market share. However, when compared with the competitors who have more market shares, we can see that our business has notably gained more income and have many branches increasingly. The management is confident in competitive latencies and advantages of company are come from the varieties of brands including the idea of Shop Brand such as Beauty Buffet and Beauty Cottages together with other brands which have their own identity and supply under the Shop Brand. It makes more interesting to the images and the company's products. To know the trends of Thai and foreign market continuously is the way to improve the company's products for serving the customers' demands.

The quality of our products can be compared with the imported cosmetics, but we have adjusted and adapted our cosmetics to be appropriated with skins of Thais.

Our carefully packaging design can attract and make more appealing to the customers. To purchase our products from various manufactories which have differences in specific production makes more flexibility in productions and designing packaging.

Our sales and stock management by computing system including the customer data system is for improving our Call Center for serving our customers' demands.

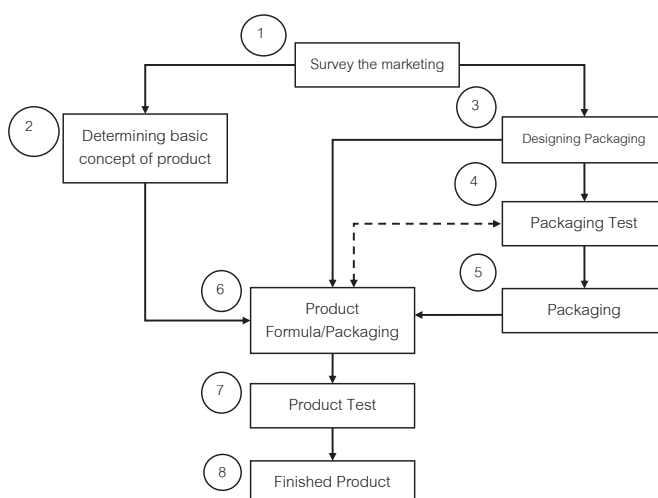
For setting up more branches, we provide the bargaining power for our Key Accounts in various department stores. It makes quickly process to set up a shop and have more privileges than the other customers.

In conclusion, although there are great competitions in the cosmetics and skin cares markets. Domestic and imported markets have increasing more businesses from AEC and FTA, but with our competitiveness and the business experiences, we believe that we can adjust and adapt our products to have more advantages in domestics and foreign market. These factors, as we expect, will lead our company to grow up continuously in the near future.

## 5. Products sourcing

### 5.1 Product sourcing process

Company presently doesn't have policy to establish its own manufacturing facility, but hiring manufacturing partners, which specialize in specific items, to produce the goods for the company. The processes are shown in the flowcharts below;



New products will be developed by product development and marketing teams. The process are as follow; (1) survey domestic and foreign market and (2) determine the specification and function of new products conforming the current trends such as color, scent, thickness and the functional features such as Antioxidant, Anti-aging and etc., including the Active ingredient, (3) designing packaging for the new products.

The formula and packaging are separately manufactured by different manufacturers, (4) the packaging which designed by the company will be transferred to formula manufacturers for leak test and compatibility test. After they get confirmed from examines, (5) the packaging manufacturer will produce all packaging and deliver to cosmetics factory. After we finish the packaging production, (6) the product improvement team will order the cosmetics manufacturers in Thailand and other countries to take the responsibility on all ingredient supplying. In this process, some of the cosmetics manufacturer may have the responsibilities to produce the packaging also, it depends on the factory capabilities. (7) The cosmetics formula will be examined for the proper chemical and physical properties by the manufacturers and for some products which have the specific chemical properties will be sent to be examined at the specific laboratories for the appropriated quality. Furthermore, our company will take a test for every product by ourselves for ensuring that the new product meets our requirement before distribution. (8) ship the products to customers.



Normally, the cost of production is relatively constant, but if the manufacturers have to increase the price, the negotiable discussion would be taken place in advance. Moreover, the company will plan the production and release new products annually. This will make the company very flexible to define the price for sale.

## 5.2 Customer satisfaction guarantee

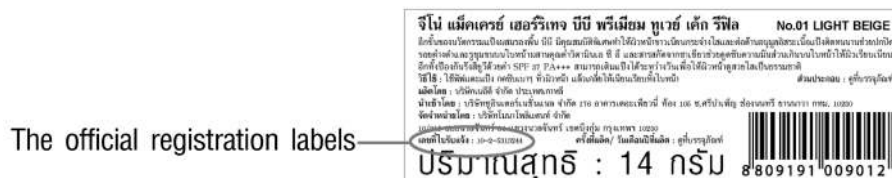
Company has a 14-day satisfaction guaranteed return policy, which began in year 2551, the return rate is only 0.01% of total revenue. Apart from the advices and suggestions from the customers who had returned the products to the company. We never have received any complaints about the quality from our customers and any state agencies.

Cosmetics and skin cares (excluding beauty accessories) is the products which have to be officially approved and by the Food and Drug Administration as the approved manufacturer following the legal announcement of Department of Health which classify into 2 class;

1. Controlled cosmetics: the Department of Health announces that all cosmetics are the controlled cosmetics. The effect has been taken from the date of 26 September, 2008. After the date that this effect has been taken place, any cosmetics have to be register as the controlled cosmetics and all must be labeled the official registration labels in every single product. Currently, most of our products are classified into this class.

2. Specially-controlled cosmetics are the cosmetics which contain some specially-controlled ingredients. At present, the company only has 1 product which is classified into this class. The product is Lansley White Cream Body Hair Invisible (bleaching cream) which must be labeled the official registration labels and the specially-controlled cosmetics number.

The sample of controlled cosmetics label:



The sample of specially-controlled cosmetics label:



The specially-controlled cosmetics number

The official registration labels

The manufacturer or importer is the person who has the duty of submitting the cosmetics registration form to the Food and Drug Administration. As the responsibility, the company will participate in examine the labels which need to follow the laws. Actually, all our products have been approved from the Food and Drug Administration already.

### 5.3 Manufacturer Selection Criteria

The company focuses on the quality of manufacturer and distributors, all the manufacturers must have been approved legally by the Food and Drug Administration and there should be the evaluation rules for the manufacturer and distributors. The rules should first focus on the quality. The evaluation rules are classified as below;

1. Quality	level/score 50%
2. Delivery's Punctuality	level/score 20%
3. Price	level/score 10%
4. Service	level/score 10%
5. Credit	level/score 10%

Most of the company's major manufacturers obtained the GMP Standard (Good Manufacturing Practice) (Some are in process). The company continuously evaluates the manufacturers and distributors every year for ensuring that each of them can preserve the quality and standard in the appropriated level continuously. Nowadays, the company has got the product supplying from around 20 manufacturers which have its own proficiencies. For the popular products, the company will have 2 manufacturers to supply the product simultaneously.

### 5.4 Environmental impact -No impact-

## 6 Agreement on the business operation

### 6.1 "Beauty Buffet" Franchise Agreement

The company supplies the products in Franchise Program to the 6 distributors and has issued the policy not to permit additional franchisees in Thailand. However, if one of 6 distributors closes down, the franchisees can move and find another location to set up the business. In this case, the company offers to make the franchise agreement for the obviousness in management. The content of the agreement are as follow;

Agreement (for Franchisee)

No.	Franchisee	Location	Sign date
1	C&N International ordinary partnership by Mr. Praty Levan	Big C (Bangna)	April 1 <sup>st</sup> , 2011
2	V & P ordinary partnership by Mr. Wasan Korjareun	Big C (Pae)	April 1 <sup>st</sup> , 2011
3	Chanakarn Trading Assemblyby Mr. Weerapol Nantanirun	Central (KornKaen)	April 1 <sup>st</sup> , 2011
4	Ms. Chanakarn Nantanirun	Big C (Skolnakorn)	April 1 <sup>st</sup> , 2011
5	Mrs. Nanporn Siri wattanalert	Central (Udonthani)	July 2 <sup>nd</sup> , 2011
6	S and V ordinary partnership by Mr. Wasan Korjareun	Tesco Lotus (Uttaradit)	July 11 <sup>th</sup> , 2011



Relationship: Mr. Pratya Levan has served as the board and the executive of the company since the second trimester of 2012. there is no any reference to the other company or any board and executives.

Agreement Term : The agreement is valid for 5 years, starting from the signing date. The agreement is extendable in case of the franchisee is not in any infringement and work under the agreement correctly.

Content: Franchisee has the right to set up the franchise of Beauty Buffet at the specified location. Franchisee has to use the “Franchise Beauty Buffet system” which had been indicated by the company. It is including the decoration, pricing, employee training, Product quality control and Services, trading by computer system and etc. these indicating factors is to take the same standard as the original business. Any expenses which come from the decoration, employment, rental and etc. would be under the responsibility of the Franchisee. The company will sporadically provide the evaluation for preserving the brand’s standard of the company. Franchisee has no right to transfer any right to another unless getting the commitment from the company. Moreover, as long as the agreement is still effective, Franchisee has no right to adjust or change the rate of shareholders or any investment otherwise getting the commitment from the company. All 5 years after the agreement ends, franchisee has to keep all information as the confidence and has not operated any business as the competitor of the company. Payment is followed the company policy.

Franchisee’s Expenses: Entrance fee which have pay once at the sign date. Franchisee can purchase the products in the discount rate as in the agreement stated. In the case that Franchisee need any accessories, Franchiser can provide the accessories or utilities that is necessary to run the business and also support the permanent employee to Franchisee. Franchisee will pay the Franchisor as the reasonable expenses combined with the expenses on operating business. Franchisee will monthly pay for the transportation charge and service charge to the company as the agreement stated mutually.\

The company considers and confirms that all conditions are the same conditions in every agreement

## 6.2 Beauty Buffet Distribution Agreement

In 2012, the company had expanded market into the foreign countries. The main policy is to set the local distributors for selling the products in the region efficiency. The company starts the policy at Cambodia, it’s because we see the capability of distributors. The brief content of agreement is below;

Partner : Market Five Co., Ltd. (“Distributors”)

Relationship : Distributor has no any relevance with the company.

Agreement Term: this agreement shall take an effect for 1 year. The effective date is from 31 January, 2012. This agreement is expandable mutually by the written letter.

Content: Distributor has the right to distribute or sell the company’s products under the trading mark “by Beauty Buffet” in Cambodia (“Sale Territory”). Within the effective date, the distributor has no right to appoint other party as the sale representatives to sell the products in the Sale Territory and the Distributor will not distribute or serve as the sale representatives for same kind of the company’s products. Distributors must build and decorate the work location following the approved structure of the company.

The company will sell the products to the distributor in the retailer price with the discounted rate as the agreement stated mutually and the distributors can adjust the price without the company's commitment.

The Distributor pays the payment in THB, the payment will be 30% pre-paid when placing an order and 70% on the date of delivery.

For any claims, the distributor can request for the claim, but the claim price should not exceed over the mutually-agreed price and the action would be taken place within 30 days after the date when the defects were found.

### **6.3 Manufacturing agreement (Non-Disclosure Agreement)**

Normally, the company will place orders to the factories that specialize in different productivities. The company offers the agreement to every factory that participate in the production formula. The main point of agreement is to state that the manufacturers will not disclose any formula or ingredient of the products including the processes of the production to any other companies. The manufacturers will not produce the products for distributing without the appointment from the company even if while the manufacturers are still producing the products for the company or the company has terminated the production, all conditions in this agreement shall take effect continuously for 1-3 years. (Each manufacturer has the different terms, but generally between 1-3 years)

## **7. Undelivered Order**

The company do not provide a manufacturing by customer order, so the company does not have any undelivered order.



## Research and Development

Product Development Team in the company is the group that offers idea to design new products. The team will collect sales of products which indicate what are the customer's interesting, and also guide them to select the popular products for improving. The team will survey the trends in the domestic and foreign markets and follow up the unstable popularity from customers. They study the research of beauty including the active ingredient which is being popular. The team will analyze all information and present the development plan for the products. The development plan can be classified into 3 plans;

- Regular Product Development : This plan is used for the regular products which have the great sales. It is the way to add the same products, but another color for serving the customers' demands.
- New product Development : It is used for following up the current trend and supports the market demands. This plan will give the great attraction for the customers.
- Replacing Development : In the case of there is the sale decreasing in one product or this product is out-of-date. This plan is used for development the new products to be replaced the old one and serve the change able demands of customers. In the other hand, this plan gives the great opportunity to attract new customers.

## Assets for Business Operation

### Main Fixed Assets

Assets for business operation as of 31 December 2012 are included follow;

#### 1. Land

Company owns 1 plot of land regarding to Deed No. 1699, 1 Rai, 1 Ngan, 20 Sqaurewah at Nuanchan Sub-district, Buengkum Districk, Bangkok. This land is the headquarter of company. Net value as of 31 December 2012 is 19.24 million baht and free from obligation.

#### 2. Leasehold

(1) Company has leasehold as follow;The right to lease the shop for retail business of Beauty Buffet, MBK 1 Branch, which is stated at cost less accumulated amortization. Amortized on a straight-line basis on leasing contract for 7 years, the company has no obligation to pay rent or lease due to once payment at first doing contract. As of 31 December 2012, the book value of leasehold is 12.04 million baht and company using this right to secure long-term loans with the Commercial Bank.

However, the leasehold for MBK 1 Branch will end in year 2013, the company has made a contract to extend the leasehold for 10 years and will end in year 2023.

(2)Leasehold in other areas which near to headquarter. The objective of this leasing is to rent for parking space and to store the general office equipments as follow;

Lease Areas	Details of Contract
Land with building, Area 203.5 Sq.Wah, at address 10/833 Soi Nuanchan 34, Nuanchan Sub-district, Buengkhum District, Bangkok.	Lesser : Mrs. Tanyapon Kraibhubes
	Period : 1 Jan 2012 – 31 Dec 2014
	Rental fee : 29,000 baht per month
Land, area 203.5 Sq.Wah, at Soi Nuanchan 34, Nuanchan Sub-district, Buengkum District, Bangkok.	Lesser : Mrs. Jinda Piripan
	Period : 1 Jun 2012 – 31 Dec 2015
	Rental fee : 11,500 baht per month

#### 3.Operating Lease

Company has operating lease for short term 1-3 years to work in retail business which is opening as a branch of company, to reduce investing in assets and flexibility in business expansion either changing location of retail shop. As of 31 December 2012, company has short-lease which made with people who have no connection to each other per table below. And commitment of contract is 192.54 million baht



Operating Lease of Beauty Buffet Branch in December 2012

No.	Branch	Starting Date of Operation
1	CENTRAL PLAZALADPRAO	August 28, 2011
2	MAHBOONKRONG CENTER 1	August 1, 2000
3	CENTRAL PLAZA RAMA 2	March 16, 2005
4	TESCO LOTUS RAMA 1 (Charoenpol)	August 6, 2005
5	THE MALL 3 RAMKHAMHAENG	December 2, 2005
6	THE MALL THAPRA	December 13, 2005
7	CENTRAL PLAZAPINKLAO	April 12, 2006
8	TESCO LOTUS LAKSI	August 31, 2006
9	CENTURY THE MOVIE PLAZA	October 17, 2006
10	BTS SALADAENG	November 28, 2006
11	SECON SQUARE	March 28, 2009
12	NEO SIAM SQUARE	May 15, 2012
13	BIG C RAJDAMRI	February 2, 2011
14	BIG C CHEANGWATTANA	October 20, 2009
15	TESCO LOTUS SUKHAPIBAN 1	November 10, 2009
16	BIG C RATCHADAPISEK	December 19, 2009
17	CENTRAL PLAZA RAMA 3	March 5, 2010
18	TESCO LOTUS PINKLAO	February 13, 2010
19	THE MALL BANGKAE	April 12, 2010
20	BTS SIAM PARAGON	June 21, 2010
21	BTS CHIDLOM	June 24, 2010
22	BTS PHROMPHONG	June 13, 2010
23	BIG C RAMA 2	May 22, 2010
24	TESCO LOTUS RAMA 2	September 15, 2010
25	Big C Rama 4	October 3, 2010
26	TESCO LOTUS SUKHAPIBAN 3	October 1, 2010
27	CENTER ONE	March 9, 2011
28	MAHBOONKRONG CENTER 2	October 21, 2008
29	THE MALL BANGKAPI	December 23, 2004
30	MAJOR CINEPLEX RATCHAYOTHIN	September 2, 2008
31	FORTUNE TOWN	October 22, 2005
32	CENTRAL PLAZAWONGSAWANG	December 25, 2006
33	TESCO LOTUS BANGKAPI	November 1, 2004
34	MAJOR HOLLYWOOD RANKHAMHAENG	April 9, 2008
35	UNION MALL LADPRAO	March 12, 2009
36	BIG C HUAMARK	April 28, 2007
37	ROBINSON RATCHADAPISEK	October 15, 2009
38	MAJOR CINEPLEX PINKLAO	September 10, 2008

No.	Branch	Starting Date of Operation
39	FASHION ISLAND 2	November 16, 2008
40	CHINA WORLD	February 28, 2009
41	TESCO LOTUS NONGCHOK	January 12, 2011
42	TESCO LOTUS RAMA 4	July 1, 2011
43	CENTRAL PLAZA GRAND RAMA 9	December 14, 2011
44	MEGA BANGNA	May 3, 2012
45	TESCO LOTUS BANBUNG	May 25, 2012
46	TESCO LOTUS BANGNA	January 1, 2005
47	THE MALL NGAM WONG WAN	April 29, 2005
48	TESCO LOTUS BANGPLEE	November 19, 2005
49	TESCO LOTUS RANGSITKLONG 7	June 23, 2009
50	TESCO LOTUS LAMLUKKA	August 26, 2009
51	BIG C LAMLUKKA	May 12, 2010
52	BIG C SRINAKARIN	December 20, 2009
53	BIG C MAHACHAI	April 1, 2010
54	OMPERIAL WORLD SAMRONG 2	April 1, 2010
55	BIG C CHANGWATTANA 2	May 1, 2010
56	TESCO LOTUS NAVANAKORN	March 28, 2007
57	BIG C NAKHONPATHOM	July 20, 2010
58	BIG C RATTANATHIBETH (BANG YAI)	August 14, 2010
59	BIG C LAMLUKKA 2	October 8, 2010
60	TESCO LOTUS KRATHUMBAN	October 21, 2010
61	FUTURE PARK RANGSIT	October 17, 2001
62	BIG C SAMUTPRAKARN	August 23, 2008
63	TESCO LOTUS SRINAKARIN	December 12, 2008
64	MAJOR HOLLYWOOD CHANGWATTANA	June 5, 2008
65	CENTRAL PLAZARATTANATHIBET	December 2, 2008
66	CENTRAL PLAZACHANGWATTANA	November 27, 2008
67	TESCO LOTUS NAKHON IN	September 27, 2012
68	TESCO LOTUS SALAYA	February 28, 2011
69	BIG C SUKSAWAT	May 1, 2011
70	ZEERRANGSIT	May 9, 2012
71	BIG C RANGSIT	November 24, 2010
72	BIG C NAKHONSAWAN	August 15, 2009
73	BIG C KAMPHAENGPHET	December 2, 2010
74	CENTRAL AIRPORT PLAZA CHIANGMAI	May 28, 2009
75	BIG C LAMPANG	November 10, 2008
76	BIG C PHITSANULOK	July 17, 2009



No.	Branch	Starting Date of Operation
77	CENTRAL PLAZA CHIANGRAI	March 30, 2011
78	TESCO LOTUS TAK	October 6, 2011
79	CENTRAL PLAZA PHITSANULOK	October 20, 2011
80	BIG C HANGDONG	December 3, 2011
81	TESCO LOTUS PHAYAO	July 25, 2012
82	THE MALL KORAT	December 12, 2009
83	BIG C UBONRATCHATHANI	February 13, 2010
84	TESCO LOTUS CHUMPHAE	February 16, 2011
85	TESCO LOTUS KALASIN	May 6, 2011
86	TESCO LOTUS BUNGKAN	September 29, 2011
87	TESCO LOTUS KHONKAEN	December 1, 2011
88	BIG C SISAKET	April 9, 2012
89	TESCO LOTUS KANCHANABURI	October 19, 2009
90	TESCO LOTUS BANPONG	November 6, 2009
91	ROBINSON RATCHABURI	October 9, 2009
92	TESCO LOTUS AMATANAKORN	October 20, 2009
93	TESCO LOTUS ARANYAPRATHET	December 17, 2009
94	TESCO LOTUS NORTH PATTAYA	July 1, 2010
95	BIG C CHONBURI	July 24, 2009
96	CENTRAL CENTER PATTAYA	September 14, 2010
97	CENTRAL FESTIVAL PATTAYA BEACH	January 21, 2009
98	ROBINSON CHANTHABURI	October 10, 2010
99	PACIFIC PARK SRIRACHA	August 12, 2009
100	LEAMTHONGBANGSAEN	June 2, 2006
101	CENTRAL PLAZA CHONBURI	May 29, 2009
102	TESCO LOTUS LAEMCHABANG	December 15, 2008
103	TESCO LOTUS RAYONG	January 9, 2009
104	TESCO LOTUS BO WIN	November 24, 2010
105	TESCO LOTUS TRAT	August 10, 2011
106	TESCO LOTUS CHANTHABURI	August 15, 2011
107	TESCO LOTUS KABINBURI	November 30, 2011
108	TESCO LOTUS PRACHINBURI	January 11, 2012
109	AYUTTHAYA PARK	August 1, 2009
110	TESCO LOTUS SAMUI (LAMAI BEACH)	October 1, 2009
111	TESCO LOTUS PRANBURI	November 15, 2009
112	BIG C PHUKET	December 25, 2009
113	TESCO LOTUS PHUKET	December 24, 2009
114	SAHATHAITUNGSONG	December 23, 2009

No.	Branch	Starting Date of Operation
115	ROBINSON TRANG	November 11, 2010
116	BIG C PHETCHABURI	July 1, 2010
117	BIG C HAT YAI	May 23, 1954
118	HUAHIN MARKET VILLAGE	April 1, 2010
119	TESCO LOTUS CHUMPHON	October 29, 2010
120	DIANA HAT YAI	November 23, 2010
121	TESCO LOTUS KRABI	April 10, 2009
122	TESCO LOTUS SAMUI (CHAWENG BEACH)	May 29, 2009
123	TESCO LOTUS PRACHUAPKHIRI KHAN	January 13, 2011
124	BIG C HAT YAI 2	March 15, 2011
125	TESCO LOTUS THALANG	October 5, 2011
126	ICON SURATTHANI	November 10, 2011
127	TESCO LOTUS THAYANG	December 21, 2011
128	BIG C SATUN	August 15, 2012
129	FAIRY KHONKAEN	August 21, 2012
130	LAEMTHONGRAYONG	August 21, 2012
131	TESCO LOTUS WARINCHAMRAPUBONRATCHATANI	September 5, 2012
132	CENTRAL PLAZA SURATTHANI	October 11, 2012
133	TESCO LOTUS SADA0	October 18, 2012
134	SEACONBANGKAE	November 1, 2012
135	CENTRAL PLAZA LAMPANG	November 30, 2012
136	BIG C CHIANGRAI	December 1, 2012
137	TESCO LOTUS KUMPHAWAPI	December 6, 2012
138	HARBOUR MALL CHIANGMAI	December 20, 2012
139	BIG C SAPHANKHWAI	December 25, 2012
140	TESCO LOTUS NONGBUALAMPHU	December 26, 2012
141	TESCO LOTUS PHITSANULOK	December 27, 2012
142	TESCO LOTUS SERMTHAIMAHASARAKHAM	December 27, 2012



**Operating Lease of Beauty Cottage Branch in December 2012**

<b>No.</b>	<b>Branch</b>	<b>Starting Date of Operation</b>
1	CENTRAL PLAZA LADPRAO	August 28, 2011
2	CENTRAL PLAZA GRAND RAMA 9	December 14, 2011
3	TERMINAL 21	October 11, 2011
4	SECON SQUARE	December 28, 2011
5	THE MALL BANGKAPI	December 27, 2011
6	THE MALL BANGKAE	December 23, 2011
7	CENTRAL WORLD	February 7, 2012
8	MEGA BANGNA	May 3, 2012
9	BIG C RAJDAMRI	April 28, 2012
10	FUTURE PARK RANGSIT	June 2, 2012
11	CENTRAL PLAZA CHAENGWATTANA	February 11, 2012
12	CENTRAL PLAZA RATTANATHIBET	March 22, 2012
13	FASHION ISLAND	April 3, 2012
14	CENTRAL PLAZA PHITSANULOK	October 20, 2011
15	CENTRAL PLAZA UDONTHANI	March 27, 2012
16	TESCO LOTUS KHONKAEN	December 1, 2011
17	CENTRAL FESTIVAL PATTAYA BEACH	December 29, 2011
18	BIG C CHANTHABURI	December 19, 2011
19	ROBINSON SUPHANBURI	March 2, 2012
20	DIANA HAT YAI	January 21, 2012
21	HUAHIN MARKET VILLAGE	May 29, 2012
22	CENTRAL PLAZA CHIANGRAI	July 7, 2012
23	LAEMTHONGRAYONG	August 21, 2012
24	SEACONBANGKAE	September 10, 2012
25	CENTRAL PLAZA SURATTHANI	October 11, 2012
26	CENTRAL PLAZA CHONBURI	October 15, 2012
27	THE MALL KORAT	November 1, 2012
28	CENTRAL PLAZA LAMPANG	November 29, 2012
29	THE MALL NGAM WONG WAN	December 3, 2012
30	SERMTHAIMAHASARAKHAM	December 21, 2012
31	BIG C NAKHONSAWAN	December 24, 2012

**4. Other fixed assets**

Type of Asset	Type of Right	Net value (Baht) After deducted the accumulated depreciation
Building and improvement	Owner	22,242,008
Furniture	Owner	60,852,253
Tools and office equipments	Owner	8,881,846
Computers	Owner	3,640,220
Vehicles	Lessee (Leasing contract with Commercial Bank)	1,168,269
	Owner	5,462,600
<b>Total</b>		<b>102,247,196</b>

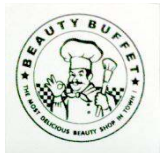

Other fixed assets per showing on table are property of company and no obligation.





**5. Intangible Assets**

Company has invested in computer program “C-Smile” and Point of Sale (POS) for internal management purpose. The total cost is 2.86 million baht and net book values as of 31 December 2012 was 1.85 million baht.

**Trademarks**

The Company has had its trademarks registered with the Trademark Office, Department of Intellectual Property in order to protect its rights from any infringement. Trademark registration is valid for 10 years at a time. The Company's trademarks currently registered and applied as brands are described below:

Trade Mark	Registered Date	Expired Date	Remark
	–	–	<p>The Company has registered its Beauty Buffet trademark as shown below</p>  <p>since 19 December 2006 and it will expire on 18 December 2016 (under the process of ownership transfer from “Mr. Suwin Kraibhubes” to the Company). However, the Company has amended such registered trademark and has applied for registration of such amended mark since 13 June 2012.</p>

Trade Mark	Registered Date	Expired Date	Remark
	October 5, 2013	October 5, 2020	–
	–	–	Application for registration has been submitted since 13 June 2012.
<b>GINO McCRAV</b>	October 5, 2002	September 30, 2022 (already applied for renewal)	Under the process of ownership transfer from “Mr. Suwin Kraibhubes”  to the Company
	January 5, 2005	January 5, 2015	
<b>Lansley</b>	April 21, 2004	April 21, 2014	
	–	–	Application for registration has been submitted since 13 June 2012.

Apart from trademarks applied to brands currently distributed by the Company as summarized above, the Company also owns other 37 registered trademark covering either the outdated brands or brands intended for the products in the future.

### Investment in subsidiaries and / or affiliated companies

Company has investment policy in subsidiaries or associated companies in the purpose to support the company’s business which increasing productivity or profits or advantage business (Synergy) to the company by supporting core company’s business to more comprehensive. As that purpose, the investment into subsidiaries or affiliated companies is under control and inspection of the Audit Committee. Accordance in corporation of subsidiaries and affiliated companies, company will commit to company’s director or electing managements who have appropriated qualification and experience to corporate to business, also to conduct the important company’s policy and controlling business operation both of subsidiaries and affiliated companies



## Future Projects

In order to pursue business goal, the company focuses on creating new concept, products and continually expanding distribution channels.

### (1) New Product

The Company has a project for developing new product concept relating to beauty, health and lifestyle; a business line that the Company holds established expertise to respond to the consumer's range of demand and seek for different market sector other than the existing targeted customer group.

### (2) Addition of distribution channels

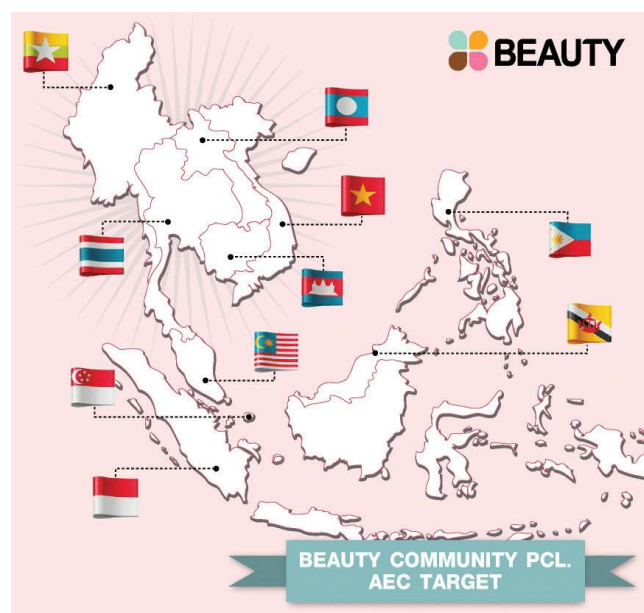
One of the Company's policies is to expand its distribution to cover channels other than its existing distribution channels on continual basis. At the present time, the Company has a plan to develop distribution system by E-Commerce to reach more consumers and to facilitate those consumers in the area not yet covered by the Company's branch.

### (3) Continual shop expansion

Distribution via retailers is the main source of the Company's income at the present time and still the mainly distribution channel on which the Company places importance. Therefore, the Company has a policy to continually expand branches of Beauty Buffet and Beauty Cottage countrywide in order to distribute more products. The Company sets its target that by the end of 2013, there would have total 180 branches of Beauty Buffet and 50 branches of Beauty Cottage, respectively and it would require about 125 million baht for investment.

### (4) Investment for infrastructure for the future growth

Fast and constant business expansion needs the Company to invest more to support branch expansion in the future as well as extension of distribution channel. The Company has a plan to lease the land, expand its warehouse, set up employee training centre and improve information technology system relating to services at point of sale (POS) to be rendered more effectively and with larger information storage unit to ensure that business expansion will be done smoothly. It is expected that the initial investment amount would be about 120 million baht.



## Legal Disputes

As of 31 December 2012, the Company has no legal dispute which may cause damage to the Company more than 5% of the shareholders' equity or any other disputes that can significantly give rise to impact on its business operation.

## Shareholding Structure

### 1. Company's securities

As at 31 December 2012, company has a registered capital as amount 300,000,000 baht divided into common shares for 300,000,000 shares, with the par value at 1 baht.

### 2. Shareholder

Top 10 of major shareholder as at 28 December, 2012

Shareholders	As at 28 December 2012	
	Unit (Stock)	%
1 Mr. Suwin Kraibhubes's group includes		
Mr. Suwin Kraibhubes	97,000,000	32.33
Mrs. Tanyapon Kraibhubes	72,999,800	24.33
Mrs. Thurian Sriyong	28,500,000	9.50
Mr. Boonchuay Yokkabutr	9,000,000	3.00
Mrs. Chayanunt Khueanphan	5,000,000	1.67
Mr. Suwin Kraibhubes's group	212,499,800	70.83
2 Mr. Pratya Levan	5,000,000	1.67
3 Thai NVDR Co.,Ltd.	4,795,200	1.60
4 Mr. Suwat Niyomsatiean	2,930,000	0.98
5 Mr. Soonthorn Curatanapisarn	2,409,000	0.80
6 Mr. Attapon Thammanon	2,049,400	0.68
7 Mr. Sornsarn Curatanapisarn	1,600,000	0.53
8 Mr. Jeradech Jongwattanasinkul	1,500,000	0.50
9 Mr. Nattawut Wongthongtana	1,340,000	0.45
10 Mr. Sangchai Wasoonthara	1,200,000	0.40

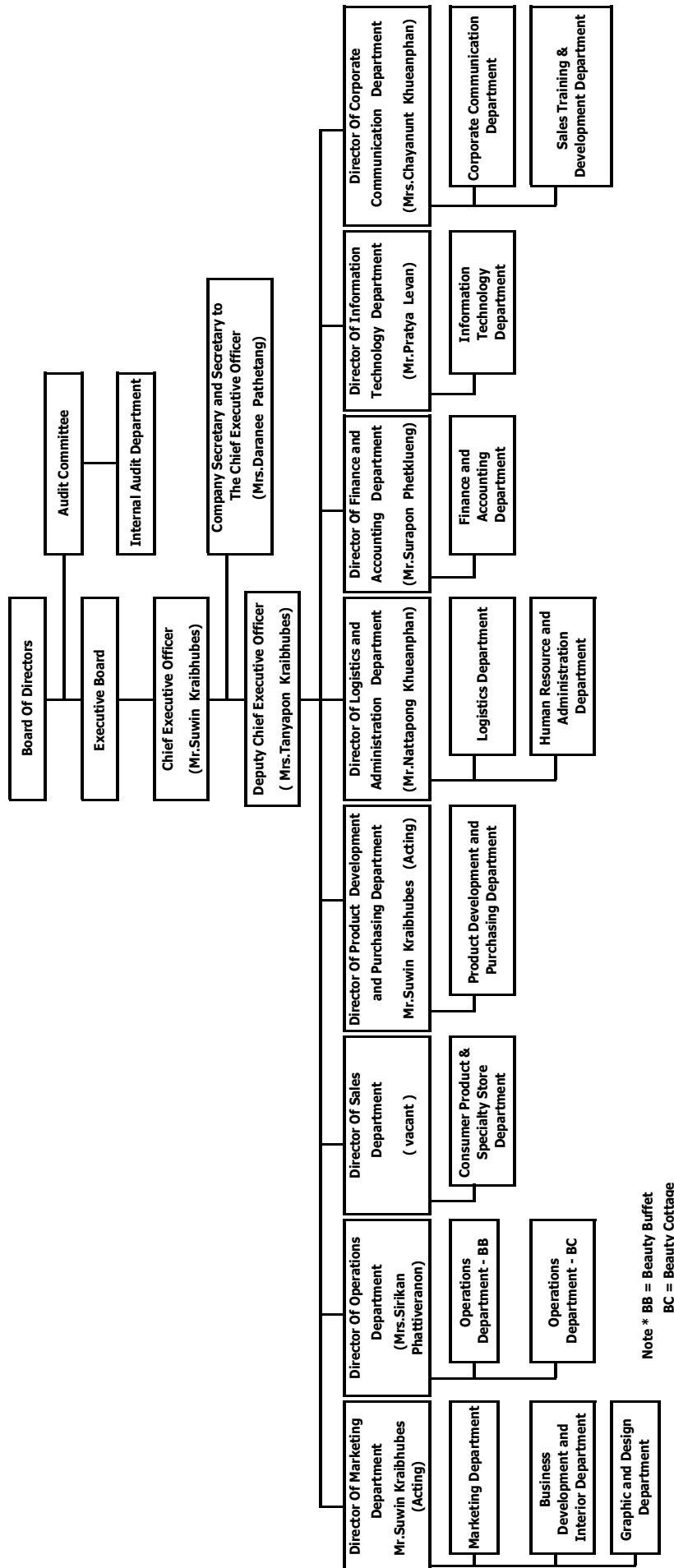
Reference : Thailand Securities Depository Co., Ltd. (TSD) as at 28 December, 2012

### 3. Dividends Payment Policy

The Company's policy is to pay dividends for the shareholders at the rate not less than 50% of net profit after corporate income tax and legal reserve. In respect of dividends payment, the following factors shall be taken into account: performance and financial status, liquidity, business expansion and other factors relating to the Company's management. However, the Company may decide to pay dividends at the rate less than the above mentioned rate if there is certain necessity requiring the Company to use such net profit for the Company's business expansion.

# Management Structure

## 1. Organization Chart





## 2. Organization

The Company has 4 key organs including Board of Directors, Executive Committee, Audit Committee and Nomination and Remuneration Committee.

### • Board of Directors

The Company's Board of Directors consists of 8 directors as follows:

- |                                  |  |
|----------------------------------|--|
| 1. Pol.Lt.Gen. Padet Charuchinda | Independent Director and Chairman of the Board           |
| 2. Mr. Suwin Kraibhubes          | Director   |
| 3. Mrs. Tanyapon Kraibhubes      | Director   |
| 4. Mrs. Chayanunt Khueanphan     | Director   |
| 5. Mr. Pratya Levan              | Director   |
| 6. Mr. Peerapong Kitiveshpokawat | Independent Director and Chairman of the Audit Committee |
| 7. Col. Attapon Srisangwarn      | Independent Director and Audit Committee                 |
| 8. Mr. Viboon Pojanalai          | Independent Director and Audit Committee                 |

Mrs. Daranee Pathetung is the Company's Secretary.

Directors authorized to sign and bind the Company include: Mrs. Tanyapon Kraibhubes jointly signs with Mr. Suwin Kraibhubes and affix the Company's seal or Mrs. Tanyapon Kraibhubes or Mr. Suwin Kraibhubes jointly sign with Mrs. Chayanunt Khueanphan or Mr. Pratya Levan, totaling 2 signatures, and affix the Company's seal.

### Term of office of the Company's directors

In any annual general meeting, at least one third, or number as much closer as one third ratio of the Board of Directors shall resign from their office. Those directors required resigning in the first and second year after company registration shall be determined by drawing while for the year thereafter those directors holding the longest term of office shall resign. Such resigned directors may be re-elected.

### Scope of duties and responsibilities of Board of Directors

The Board of Directors has powers and duties to manage the Company in accordance with legal requirement, the Company's objectives and articles of association as well as resolution of lawful shareholders' meeting with integrity and due care for the best benefit of the Company. Their scope of duties and responsibilities can be summarized as follows:

1. Manage the Company in accordance with legal requirement, the Company's objectives and articles of association as well as resolution of lawful shareholders' meeting.
2. Hold the shareholders' meetings; annual general meeting within 4 months from the ending date of the Company's accounting period.
3. Hold the Board's meeting at least once for every 3-month period.
4. Cause to prepare financial position statement and comprehensive income statement at the ending date of accounting period and have them audited by the auditor to be presented to the shareholders' meeting for approval.
5. The Board may authorize one or more directors or any other person to do any act on behalf of the Board and under its supervision or authorize such person to have powers for certain period of time deemed appropriate by the Board and the Board may cancel, revoke, modify or alter such authorized person or powers as it deems fit. In addition, the Board may authorize the Executive Board to have powers to perform

any function with details of such authorization and subject to the scope of powers and duties of the Executive Board provided that such authorization shall not be deemed empowering Executive Board or authorized person to consider and approve any item that the Executive Board or authorized person is deemed as a related party or who has interest or conflict of interest with the Company or its affiliates except for such approval of item in line with the policy and criteria that the has already considered and approved and in any circumstances, being subject to the provision of law.

6. Set the goal, plan, policy and budget of the Company, control and regulate the management by Executive Committee to ensure it is in line with the given policy except for the following matters that the Board shall first seek for approval from the shareholders' meeting: matter required by law that approval shall be secured from the shareholder's meeting e.g. increase or decrease of capital, issuance of debenture, sale or transfer the whole or significant part of business to other person, acquisition or receipt of transfer of other company, revision of memorandum of association or articles of association etc.

In addition, the Board also has duties to supervise the Company's compliance with the law relating securities and exchange regulations of stock exchange e.g. related transactions, purchase or sale significant assets pursuant to the criteria of the Stock Exchange of Thailand or laws relating to the Company's business.

7. Determine organizational structure and appoint the Executive Committee, Chief Executive Officer and other committee as deemed appropriate.

8. Continually monitor operation results to be in accordance with operation and budget plan.

9. Director shall not engage in any business of similar nature and in competition with the Company's business or become a partner in any ordinary partnership or partner with unlimited liability in limited partnership or director of private company or other company conducting business of similar nature and in competition with the Company's business, whether for personal or other person's interest unless he/she has informed the shareholders' meeting before the latter resolves to appoint him/her.

10. Director shall inform the Company without delay if he/she has interest, directly or indirectly, in the transaction executed by the Company or holds more or less share or securities in the Company or its affiliates.

#### ● **Audit Committee**

The Company's Audit Committee consists of 3 members as follows:

- |                                  |   |
|----------------------------------|---|
| 1. Mr. Peerapong Kitiveshpokawat | Independent Director and Chairman of the Audit Committee  |
| 2. Col. Attapon Srisangwarn      | Independent Director and Audit Committee  |
| 3. Mr. Viboon Pojanalai          | Independent Director and Audit Committee, which possess adequate knowledge and experience to audit the credibility of financial statements. |

Miss Hatsaya Chaibuchasak acts as a secretary of the Audit Committee.

#### **Term of office of member of the Audit Committee**

The office term of a member of the Audit Committee shall be 3 years except in case of resignation required by the Company's articles of association and he/she may be re-elected.

#### **Scope of duties and responsibilities of the Audit Committee**

The Audit Committee shall have scope of duties and responsibilities as follows:

1. Audit the Company's financial reports to ensure their correctness and adequacy.
2. Audit whether the Company has appropriate and effective Internal Control and Internal Audit System and determine independency of auditing unit, approve appointment, transfer and dismissal of head of internal audit unit or any other unit responsible for internal audit.
3. Audit whether the Company observes the law relating securities and exchange, regulations of stock exchange or laws relating to the Company's business.

4. Consider, select and propose for appointment of independent person to be the Company's auditor and offer remuneration of such person, attend the meeting with the auditor without the management at least once a year.
5. Determine related transaction or such item which may have conflict of interest to be in compliance with the laws and regulations of stock exchange to ensure reasonableness and optimum benefit for the Company.
6. Prepare the Audit Committee's report to be disclosed in the Company's annual report such report shall be signed by the Chairman of the Audit Committee and at least contain following information:
  - (a) Opinion about correctness, adequacy and credibility of the Company's financial reports.
  - (b) Opinion about adequacy of internal control system
  - (c) Opinion about compliance with the law relating securities and exchange
  - (d) Opinion about regulations of stock exchange or laws relating to the Company's business
  - (e) Opinion about appropriateness of the auditor
  - (f) Opinion about item of possible conflict of interest
  - (g) Number of meeting of the Audit Committee and attendance by each member of the Audit Committee
  - (h) Overall opinion or observation that the Audit Committee has gained from the operation under the Charter
  - (i) Other items that should be known to the shareholders and general investors under the scope of duties and responsibilities assigned by the Board of Directors
7. Any function as assigned by the Board of Directors with an agreement by Audit Committee

#### ● Executive Committee

The Company's Executive Committee consists of 7 members as follows:

- |                              |                                |
|------------------------------|--------------------------------|
| 1. Mr. Suwin Kraibhubes      | Chief Executive Officer        |
| 2. Mrs. Tanyapon Kraibhubes  | Deputy Chief Executive Officer |
| 3. Mrs. Chayanunt Khueanphan | Executive Committee Member     |
| 4. Mr. Pratya Levan          | Executive Committee Member     |
| 5. Mr. Surapon Phetklueng    | Executive Committee Member     |
| 6. Ms. Sirikan Phattiveranon | Executive Committee Member     |
| 7. Mr. Nattapong Khueanphan  | Executive Committee Member     |

#### Scope of duties and responsibilities of the Executive Committee

The Executive Committee shall have powers, duties and responsibilities for administering general and managerial business of the Company, determining policy, business plan, budget, organizational structure and management power and business operation requirements corresponding to economic condition, to be submitted to the Board's meeting for approval and/or agreement as well as monitoring performance based on such policy. Key powers, duties and responsibilities are as follows:

1. Operate and manage the Company's business based on objectives, rules, policy, regulation, requirement, order and resolution of the Board's meeting and/or of the shareholders' meeting.
2. Determine policy, direction and strategies for business operation, financial and budget plan, human resources management, investment, expansion of business and public relations to be in line with the frame work approved by the Board of Directors and regulate the operation of the appointed committee to meet the goal.
3. Consider annual budget allocation as proposed by the management before submitting to the Board of Directors for approval as well as approve amendment and addition annual budget during the time there is no meeting of the Board of Directors and submit to the Board of Directors for approval or ratification in their next meeting.



4. Determine organizational structure, managerial power including appointment, employment, transfer, fixation of salary, compensation and bonus for executive staff and termination of employment.
5. Have power to authorize any Executive Committee Member or Executive Committee Members or any other person to carry out any act under supervision of the Executive Committee or authorize such person to have power and within the period as deemed appropriate by the Executive Board and which the Executive Board may cancel, revoke, amend or modify such authorized person or the power so authorized provided that such authorization shall not be granted to the person possibly having conflict of interest.
6. To have power for approving any financial operation as follows:
  - (a) Approve disbursement of expenses for general operation and procurement of property and service for the benefit of the Company up to 10 million baht/time and not exceeding 30 million baht/quarter. For such exceeds the maximum amount, it is required to seek for approval from the Board of Directors.
  - (b) Approve sale, purchase or service rendered in general course of business e.g. approval for product sale or product purchase or manufacturing etc. up to 20 million baht/item and not exceeding 200 million baht/quarter. For such exceeds the maximum amount, it is required to seek for approval from the Board of Directors.
  - (c) Approve any loan or credit of the Company as well as application for bank guarantee for the benefit of the Company's business operation under general conditions in normal course of business and disbursement of fund for investment e.g. sale/purchase or investment in properties up to 25 million baht/time and not exceeding 50 million baht/quarter. For such exceeds the maximum amount, it is required to seek for approval from the Board of Directors.
  - (d) Approve putting the Company's properties under mortgage or pledge as collateral for any of its debt whether existing or in the future up to 25 million baht/item and not exceeding 50 million baht/quarter. For such exceeds the maximum amount, it is required to seek for approval from the Board of Directors.
  - (e) Approve opening/closing any deposit account with the bank or financial institution and determine conditions for withdrawal or transaction of such account.
  - (f) Approve key investment as indicated in the annual expenditure which has already been assigned or approved in principle by the Board of Directors and perform any other function to be assigned by the Board of Directors from time to time.

The Executive Committee may not consider and approve any item that the Executive Committee has interest or conflict of interest with the Company or subsidiaries except for items in accordance with the policy and criteria approved by the Board of Directors or the shareholders' meeting and subject to the applicable law. The Board of Directors may cancel, revoke, amend or modify powers of the Executive Board by resolution of the Board of Directors.

#### ● Executive

As of 31 December 2012, the Company has 7 executives as follows:

- |                              |   |
|------------------------------|---|
| 1 Mr. Suwin Kraibhubes       | Chief Executive Officer and acting Director of Marketing and Product Development and Purchasing |
| 2 Mrs. Tanyapon Kraibhubes   | Deputy Chief Executive Officer  |
| 3 Mrs. Chayanunt Khueanphan  | Director of Business Development and Corporate Communication                                    |
| 4 Mr. Pratya Levan           | Director of Information Technology  |
| 5 Mr. Surapon Phetklueng     | Director of Finance and Accounting  |
| 6 Miss Sirikran Puttiveranon | Director of Sales Operation   |
| 7 Mr. Nattapong Khueanphan   | Director of Logistics and Administration  |

### Scope of duties and responsibilities of Chief Executive Officer

1. To have operation power as an executive, administer and supervise general operation of the Company.
2. To act as assigned by the Board of Directors and/or the Executive Board as well as to authorize other person deemed fit by Chief Executive Officer to manage and operate on its behalf but not such person having conflict of interest in such operation.
3. To have power to give order, regulation, announcement or record to ensure that the operation is in accordance with the Company's policy and best interest and to maintain discipline within the Company.
4. To act on behalf and represent the Company against the third person in relation to the Company's business the benefit of the Company.
5. To Review investment to be submitted to the Board of Directors and/or the Executive Board.
6. To appoint consultant required for the operation and nominate to the Board of Directors and/or the Executive Board.
7. To have power to approve financial transaction as follows:
  - (a) Approve disbursement of expenses for general operation and procurement of property and service for the Company's interest up to 5 million baht/time and not exceeding 15 million baht/quarter but not including such item approving loan or credit of the Company where entering into such transaction shall require the approval from the Executive Board and/or the Board of Directors.
  - (b) Approve the sale/purchase or service rendered in normal course of business e.g. approving product sale/purchase or manufacturing etc. up to 10 million baht/item and not exceeding 100 million baht/quarter. For such exceeds the maximum amount, it is required to seek for approval from the Executive Board and/or the Board of Directors.
8. Perform any other function assigned by the Board of Directors and/or the Executive Board from time to time.

Chief Executive Officer may not consider and approve any item that Chief Executive Officer has interest or conflict of interest with the Company or subsidiaries except for such item in accordance with the policy and criteria approved by the Board of Directors or the shareholders' meeting and subject to applicable law. The Board of Directors may cancel, revoke, amend or modify power of Chief Executive Officer by its resolution.

### ● Nomination and Remuneration Committee

The Company's Nomination and Remuneration Committee consists of 3 members as follows:

- |                                  |   |
|----------------------------------|---|
| 1. Mr. Peerapong Kitiveshpokawat | Chairman of the Nomination and Remuneration Committee |
| 2. Mr. Viboon Pojanalai          | Member  |
| 3. Mr. Suwin Kraibhubes          | Member  |

### Scope of duties and responsibilities of Executive Board

1. Provide opinion for the Board of Directors with respect to remuneration of the Chairman of the Board, Directors, Chairman of the Audit Committee and any sub-committee (if any) (with approval from the shareholders' meeting thereafter).
2. Select and nominate person holding appropriate qualifications for first assuming the office as Director and consider works, qualifications and appropriateness of such resigned directors deserved to be re-elected to be submitted to the Board of Directors for further appointment by the shareholders' meeting.
3. Consider and provide opinion for the Board of Directors and monitor implementation of vision and strategy in respect of human resources and development plan for the Company's executives.
4. Assess the Company's operation results in order to determine annual bonus and salary promotion and provide standard criteria applicable in the industry.
5. Suggest salary structure of the Company as well as other welfare and benefit

#### ● **Secretary of the Company**

The Board of Directors' meeting No. 4/2012 on 13 July 2012 resolved to appoint Mrs. Daranee Pathetung as the Secretary of the Company in accordance with the provision of Section 89/15 of the Securities and Exchange Act B.E. 2535 as amended by the Securities and Exchange Act (No. 4) B.E.2551. Duties and responsibilities of the Secretary of the Company are as follows:

1. Provide advice for the directors and executives relating to the compliance with the laws, rules and regulations and the company's articles of association as well as requirements of the Stock Exchange of Thailand and the Office of Securities and Exchange Commission and always monitor such compliance.
2. Supervise information disclosure and report according to the rules and regulations of the Stock Exchange of Thailand and the Office of the Securities and Exchange Commission.
3. Prepare and maintain following documents:
  - (a) Directors registration
  - (b) Letter inviting to the meeting of the Board and minutes of the meeting.
  - (c) Letter inviting to the shareholders' meeting and minutes of the meeting
  - (d) Annual report
  - (e) Report on interest of directors and executives
4. Perform any other operation in accordance with the criteria prescribed in the law relating securities and exchange

### **3. Selection of directors and executives**

- Criteria for selection and appointment of the Board of Directors and the Executive Committee

Nomination and Remuneration Committee shall select person to be appointed as director or executive of the Company and nominate him/her to the Board of Directors by giving precedence to skills and experiences needed for the Company's business operation. The criteria for selection can be summarized as follows:

1. Hold the qualifications in accordance with the Public Company Act, the Securities and Exchange Act, regulations of the Stock Exchange of Thailand and of the Office of the Securities and Exchange Commission including the principles of good corporate governance.
2. Possess knowledge, capability, professional experiences suitable for each department which can be of benefit and value added to the Company.
3. Hold characteristics supporting and facilitating the operation on corporate governance that can create value added to the Company, perform duties with Accountability, Care and Loyalty and devote full time and effort for the work.

In respect of selection and appointment of the Company's director, it shall be in accordance with the criteria described above. In addition, not less than half of the total number of directors shall reside in the kingdom. The shareholders' meeting shall appoint the directors based on majority vote subject to the following criteria and procedures

1. One share has one vote right.
2. Election shall be made by casting vote, whether for each individual or group of person as deemed fit by the shareholders' meeting. For any voting or resolution, each shareholder shall exercise his/her right based on voting right in hand as mentioned in item 1 above and is not allow to divide vote to many candidate.
3. Voting for appointment of directors shall be based on majority vote. In case of tied-vote, the Chairman shall have 1 more decisive vote.

In any annual general meeting, at least one third, or number as much closer as one third ratio of the Board of Directors shall resign from their office. Those directors required resigning in the first and second year after company registration shall be determined by drawing while for the year thereafter those directors holding the longest term of office shall resign. Such resigned directors may be re-elected.



- Criteria for selection and appointment of Independent Director

Nomination and Remuneration Committee shall be the initial person considering qualifications of person to be appointed as Independent Director and then present to the Board of Directors based on such provided in the Public Company Limited Act, the law relating securities and exchange, announcement of the Securities and Exchange Commission, of the Capital Market Supervisory Board including other relevant announcement, regulations and/or rules and shall also consider other qualifications e.g. working experience, competency etc. before submitting to the shareholders' meeting to appoint such person as the Company's Director. In addition, at least one third, and not less than 3 members of the Board of Directors shall be Independent Director.

#### Qualifications of Independent Director

1. Hold share not exceeding 1% of total number of shares with voting right of the Company, subsidiaries, joint venture, major shareholder, person having control power over the Company including shareholding by related party.
2. Is or was not director involving in management of employees, consultant receiving permanent salary, person having control power of the Company, subsidiaries, joint venture, major shareholder or person having control power over the Company unless he/she has not involved in such position for not less than 2 years before taking the current position. Such prohibited characteristic shall not include the case that such Independent Director used to be a civil servant or consultant to the government agency which is the major shareholder or having control power over the Company.
3. Not the person having blood relation or legal relation by registration in the form of parent, spouse, brother and sister and child including spouse of child of executive, major shareholder or person having control power or person nominated to be the executive or to have control power over the Company or subsidiaries.
4. Not have or used to have business relation with the Company, subsidiaries, joint venture, major shareholder or person having control power over the Company in the manner that may hinder exercise of free review and not being or used to be the shareholder who may indirectly have control power over such person who has business relation with the Company, subsidiaries, joint venture, major shareholder or person having control power over the Company unless he/she has resigned from such position for not less than 2 years before taking the position.  
Business relation mentioned above shall include transaction of normal course of business for operation, rent or lease out properties, items relating to assets or service or giving or receiving financial support by taking or giving loan, guarantee, collateral, or similar act to the effect that the Company or either party shall have obligation to be fulfilled for the other part starting from 3% of the tangible assets –net of the Company or 20 million baht or more whichever is lower. Calculation of such obligation shall be in accordance with the method for calculation of value of related transaction as per the announcement of the Capital Market Supervisory Board relating to criteria for execution of related transaction, mutatis mutandis. However, obligation occurred in 1 year before the date of business relation with the same person shall be included.
5. Is not or was not the auditor of the Company, subsidiaries, joint venture, major shareholder or person having control power over the Company and not being or used to be the shareholder who may indirectly have control power over such person who has business relation with the Company, subsidiaries, joint venture, major shareholder or person having control power over the Company unless he/she has resigned from such position for not less than 2 years before taking the position.
6. Is not or was not person providing any professional service including legal or financial consultant receiving service charge for the amount exceeding two million baht per year from the Company, subsidiaries, joint venture, major shareholder or person having control power over the Company and not being the shareholder who may indirectly have control power over such person who has business relation with the Company, subsidiaries, joint venture, major shareholder or person having control power over the Company unless he/she has resigned from such position for not less than 2 years before taking the position.
7. Not a director appointed to be a representative of the director of major shareholder or such shareholder relating to major shareholder e.g. having shareholders agreement covering the appointment of director to be a representative and look after the benefit of certain group of shareholders.

8. Not conduct business of similar nature or in competition with that of the Company or subsidiary or not being significant partner in the partnership or director involving in management of customer, employee, consultant receiving permanent salary or holding more than 1% of total number of shares with vote right of other company conducting business of similar nature and in competition with the company's or subsidiaries' business.
9. Not possessing any other characteristics that may hinder free opinion about the Company's business operation.  
In general, freely expressing of opinion shall refer to giving opinion or making report as assigned without taking into consideration of any benefit relating to property or position and not under influence of person, group of persons or any circumstances that may force such person to the extent that freely expressing of opinion cannot be done.

- **Criteria for selection and appointment of the Audit Committee**

The Nomination and Remuneration Committee shall select and appoint the Audit Committee constituting of at least 3 members and nominate them to the Board of Directors. Member of the Audit Committee shall be selected from the Company's Independent Directors. Such Independent Director who may be selected as the member of the Audit Committee shall hold additional characteristics as follows:

1. Shall not be the director assigned by the Board of Directors to make decision in the operation of the parent company, subsidiaries, affiliates, major shareholders or person possessing control power over the Company.
2. Shall not be the director of the parent company, subsidiaries or affiliates only those being a registered company.
3. Possess adequate knowledge and experience to act as a member of the Audit Committee for the mission assigned by the Audit Committee and shall devote adequate time for the operation of the Audit Committee.
4. A member of the Audit Committee should not be a director in registered company more than 5 companies as it may affect the function in any of such companies unless such member of the Audit Committee plays an important role in providing advice to the Company and can reasonably allocate time for the Company.
5. At least 1 member of the Audit Committee shall possess adequate knowledge and experience in accounting or finance to perform function in auditing credibility of the financial statements.

#### 4. Remuneration of Directors and Executives

##### (1) Monetary remuneration

- **Total remuneration for Directors**

Member of the Board of Directors, Audit Committee and Nomination and Remuneration Committee shall be given remuneration in the form of meeting allowance. The Company started to pay meeting allowance when the Audit Committee was appointed by the resolution reached by the extraordinary shareholders' meeting no. 1/2011 dated 22 December 2011. Meeting allowance for the Directors and the Audit Committee are described below:

Title	Meeting allowance (baht/session)
<u>Meeting of the Board of Directors</u>	
Chairman of the Board	20,000
Directors	15,000
<u>Meeting of the Audit Committee</u>	
Chairman of the Audit Committee	20,000
Member of the Audit Committee	15,000
<u>Meeting of the Nomination and Remuneration Committee</u>	
Chairman	20,000
Member	15,000

Note: The Nomination and Remuneration Committee was appointed and their remuneration was determined by the meeting of the Board of Directors No. 4/2012 on 13 July 2012. They have never had their meeting yet and it is expected to have one in 2013

Basically, such director who is an executive shall not receive meeting allowance as he/she has already received remuneration as an executive. Presently, directors not receiving meeting allowance are Mr.SuwinKraibhubes, Mrs.TanyaponKraibhubes, Mrs.ChayanantKhuenphan and Mr.PratyaLevan and only those 4 Independent Directors are entitled to meeting allowance.

The Company first started to pay remuneration to the Board of Directors for their meeting no. 3/2012 held on 20 April 2012. Remuneration of the Board of Directors paid in the year 2012 (as of 31 December 2012) can be summarized in the table below:

Name	Total number of meetings attended (No. Of Times)*	Remuneration Total(Baht)
Pol.Lt.Gen. Padet Charuchinda **	4/4	60,000
Mr. Suwin Kraibhubes	7/7	-
Mrs. Tanyapon Kraibhubes	7/7	-
Mrs. Chayanunt Khueanphan **	4/4	-
Mr. Pratya Levan **	4/4	-
Mr. Peerapong Kitiveshpokawat	7/7	75,000
Col. Attapon Srisangwarn	7/7	75,000
Mr. Viboon Pojanalai	7/7	75,000

Remark: \* The 1st meeting of Board Director and 2/2012 regarding to considering bank's account and company general. Directors did not request the compensation from meeting.

\*\* Lt.Gen.Padej Charuchinda, Mrs.Chayanunt Khuenphan and Mr.Pratchaya Lewan were appointed as Board Director for the Annual General Meeting of Shareholders for the year 2012 on April 30, 2012.

Company began paying the compensation to Audit Committee in the 1st Audit Meeting or 1/2012 on 27 December 2011. by remuneration of committee for the year 2011, 2012 ( until 31 December 2012) as summary per table below;

Name	2011		2012	
	Total number of meetings attended (No. Of Times)*	Remuneration Total(Baht)	Total number of meetings attended (No. Of Times)*	Remuneration Total(Baht)
Mr. Peerapong Kitiveshpokawat	1/1	20,000	6/6	120,000
Col. Attapon Srisangwarn	1/1	15,000	6/6	90,000
Mr. Viboon Pojanalai	1/1	15,000	6/6	90,000



- **Executive Compensation**

Company's executive compensation is to pay as salaries, bonuses and provident fund per summary as table below;

Issue	2011	As of December 31, 2012
Number of Executives*	7 executives	7 executives
Executive Total Remuneration (THB Million )	12.08	12.20

Remark : \* The current Company's Organization is effective as of 1 July 2012. However, There are 7 directors per organization has joined the before 2011 (Except Mr.Surapol Pethkluang and Ms.Sirikarn Pattiveeranont joined working in year 2011). As that result, the number of Directors and total compensation of directors can be counted totaling 7 persons since year 2011.

**(2) Other compensation**

Company has other compensation in the option of vehicle for some management positions.

## 5. Corporate Governance

The Company realizes the importance of the compliance with good corporate governance. The Company's Board of Director has therefore set out the policy for compliance with principle and best practices for directors which are consistent with the Code of Best Practices for Directors of Listed Company prescribed by the Stock Exchange of Thailand. All codes and provisions are prescribed based on practical basis. In addition, the Company has also adopted Good Corporate Governance as a guideline for improving its policy to cover rights and equality of shareholders and stakeholders, Board of Director's organization, roles, duties and responsibilities and independence, information disclosure and transparency, risk control and management as well as business ethics all of which aim to ensure that the Company's management and business operation are conducted efficiently and transparently. The good corporate governance covers principles classified into 5 sections as follows:

### Section 1: Rights of shareholders

The Company realizes and gives priority to the shareholders' rights by omitting any act that may violate or deprive such rights and also by encouraging the shareholders to exercise their basic rights including sale or transfer of shares, entitlement to profit allocation by the Company, being updated with adequate information about the Company, attending and casting vote in the shareholders' meeting to remove member of the Board or to appoint the auditor or any other issue that can have an impact on the Company such as dividends allocation, determination or amendment of the articles of association and the memorandum of association, decrease or increase of capital and approval of special item etc.

In addition to such basic rights, the Company will take necessary steps to facilitate the exercise of rights by the shareholders as follows:

- The Company will encourage member of the Board, the management and relevant unit including the auditor to always attend the shareholders' meeting.
- The Company requires the Board to prepare and distribute letter inviting to the shareholders' meeting containing adequate information for all shareholders at least 7 days in advance before the meeting date or as prescribed by the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand.
- For any shareholders' meeting, the Chairman shall inform the regulations applicable to the meeting including procedures for casting vote and provide adequate time for the meeting.

- Provide an opportunity for the shareholder to raise question, express opinion and give suggestion while the Board and relevant executives attending the meeting shall reply to the question in the meeting. When the meeting is over, the Company shall prepare the meeting report containing complete and correct information that can be reviewed by the shareholders.
- The Company shall manage to have vote casting and record resolution in the meeting report with voting details for each agenda as to how many votes are casted for or against each issue as well as abstention.
- In case the shareholder is not able to attend the meeting in person, the Company allows such shareholder to give proxy to independent director or any person to attend the meeting on his/her behalf.

## Section 2 Equitable treatment of shareholders

The Company shall treat all shareholders equally and fairly whether they are the executives or non-executives, foreign or minor shareholders by observing the following principles:

- The Board shall not add agenda without giving notice to the shareholders in advance if it is not a case of necessity, especially those agendas requiring time for the shareholders to completely review before making their decision.
- The Company shall take necessary steps to protect the Company's information from unauthorized use by prohibiting such department to which information is disclosed from distributing it to non relevant agency or person. In case any employee or executive has disclosed such information in bad faith or for his/her own benefit or for other person's benefit, it shall be considered as serious offence and such person shall be subject to disciplinary action.
- In any shareholders' meeting, member of the Board and the Company's management shall disclose information about his/her interest in any agenda in order to allow the Board to consider any transaction that may have conflict of interest and to be able to make well-informed decision for the ultimate benefit of the Company where such member or executive shall not be able to vote for that agenda.

## Section 3 Role of stakeholders

The Company places an importance on the rights of all stakeholders and has put in place policy on treatment of each stakeholder as follows:

Shareholders:	The Company is determined to conduct its business with knowledge and skill in management at its best effort in honest and fair manner to major and minor shareholders for the ultimate benefit of the shareholders as a whole and shall regularly disclose complete and truthful information.
Employee:	The Company shall provide fair compensation to its employees, maintain safe working environment for life and property, give priority to competency development, strictly observe the laws and regulations relating to employees and also avoid doing anything considered unfair treatment which may affect job security, treat the employees politely and ensure that their opinion and suggestion are heard equally and impartially.
Customer:	The Company is committed to creating satisfaction and confidence for customer through delivery of quality and safe products and services at reasonable price that meet the standards required as well as strictly complying with terms and conditions entered into with customer and continually developing its products and services toward higher standards.
Suppliers and Creditors:	The Company shall in no way accept any dishonest trading practices with suppliers and creditors and is determined to strictly follow terms and conditions entered into with creditors regarding purpose of fund, repayment, maintenance of collateral and any other matter agreed upon with creditors to reach mutual benefit.
Competitors:	The Company shall conduct its business based on fair competition rules, refrain from acquiring confidential or proprietary information through dishonest or improper practice and not try to defame the competitor by untruthful accusation.
Society:	The Company shall not do any act that may lead to damage to society, natural resources and environment, try to provide support social contribution activities, continually and sincerely foster sense of social accountability among its employees at all levels as well as observe or ensure the observance of laws and rules and regulations prescribed by the competent authorities.

## Section 4 Information disclosure and transparency

The Company gives priority to disclosure of correct, complete, transparent and prompt information that meets the standard requirements of the Stock Exchange of Thailand including financial statements and report of general information and other significant information that can affect securities price or decision making by investors and stakeholders of the Company to ensure all persons relating to the Company are equally informed. The Company disseminates its information through the SET's website and [www.beautycommunity.co.th](http://www.beautycommunity.co.th)

The Board realizes its responsibility to ensure that financial reports contain correct, complete, truthful and reasonable information. Comprehensive financial statements are prepared in accordance with generally accepted accounting standards through the appropriate selection of accounting policy and complete and correct record to the extent it can maintain property and know weak point to prevent any dishonest or materially irregular practice. This includes adequate disclosure of material information in the note to financial statements. In addition, the Board shall also appoint the audit committee to review financial reports, related transaction and internal control system and then report to the Board in all of the Board's meetings. The Audit Committee's and the auditor's reports shall be disclosed in the annual report. With respect to investor relations, the Company has not yet had a plan to set up investor relations unit in the near future but Mr. Suwin Kraiphubate, the Company's CEO, is assigned to contact with investor, analyst and other relevant persons.

## Section 5 Responsibilities of the Board

### (1) Organization of the Board

The Company's Board of Directors consists of qualified directors holding knowledge, skills and expertise. The Board is appointed by the shareholders' meeting and comprises 8 directors 4 of which are independent directors; acting as the Chairman of the Board 1 director, as Chairman of the Audit Committee 1 person and members of the Audit Committee for 2 persons one of which shall hold adequate expertise in accounting to be able to verify credibility of financial statements. The Company requires that at least one third of members of the Board but not less than 3 persons shall be independent directors to represent minor shareholders whose duties are to check and balance the operations of the Company to ensure that they are conducted validly, fairly and for the ultimate interest of the shareholders.

The Chairman of Board shall be an independent director and not the same person as Chief Executive Officer in order to maintain check and balance. The Company has clearly determined scope of authorization and duties and responsibilities of director, executive director and Chief Executive Officer in order that executive director and Chief Executive Officer shall have limited power in releasing fund from the Company.

### (2) Sub-committee

The Board has appointed the sub-committee to help supervising the operation as follows:

- The Executive Board consisting of 7 members shall facilitate managerial issues as assigned by the Board.
- The Audit Committee consisting of at least 3 members shall audit the operation of the Company for the matters as assigned by the Board. All members of this Committee shall hold qualifications as prescribed by the law relating to securities and exchange or by the criteria, notifications or rules and regulations of the Office of the Securities and Exchange Commission or of the Securities and Exchange Commission or of the Stock Exchange of Thailand.
- The Recruitment and Remuneration Committee consisting of 3 members shall provide opinion about remuneration for the Company's director, member of the sub-committee and select and nominate qualified person to fill the office as director and also monitor activities relating to human resources management, bonus and salary promotion and other relevant issues.

In the future, however, the Company may appoint other sub-committee to perform other managerial functions as deemed appropriate by the Board.



### **(3) Roles, duties and responsibilities of the director**

The Board shall act as a policy maker who will determine vision, strategies, goal, mission, business plan and budget of the Company and supervise the management to stick to such policy under the scope of law, objectives, Articles of Association and resolution of the shareholders' meeting, to perform their function at fullest effort to create value added to business in the long run, to manage the operation prudently to avoid conflict of interest. In particular, the Board has managed to ensure that the Company's operation is referred to the following:

#### **Business Ethics**

The Company has prepared code of practice for business ethics for the Audit Committee and operators in different departments as a guideline for operation. This code mainly covers confidentiality, integrity, legality, respect to each other's rights, maintenance of internal resources and external environment. Business ethics will help promote operation with integrity and effective internal control which will result in confidence and credibility among investors.

#### **Policy for conflict of interest**

The Company sets out policy in dealing with conflict of interest based on the principle that all employees shall perform their operation solely for the ultimate benefit of the Company and any act or decision shall be made without influence of the need of such individual employee or his/her family, siblings or any other person personally acquainted with. Such policy covers 2 issues as follows:

- Related transaction:

The Company shall prudently consider appropriateness before concluding any related transaction including determining price and conditions for such related transaction as if it is entered into with the third person (Arm's Length Basis). Furthermore, the Audit Committee shall review each item as to its necessity and justification. When the Company has concluded any related transaction, the Company shall follow requirements, conditions and procedures as provided by the Notification of the Stock Exchange of Thailand and the notification of the Capital Market Supervisory Board as well as disclose such items in the annual report form (Form 56-1) to establish transparency about related transaction and to avoid conflict of interest and any other circumstances that may lead to the same.

- Other circumstances leading to conflict of interest:

- 1.General investment: The Company shall not allow the Company's personnel who is the shareholder or acquiring benefit from the competitor or suppliers dealing with the Company to take part in making decision in any issue relating business relationship with that person or entity unless approval is granted by the Board.
- 2.Gift policy: Personnel at all levels should not take gift, ticket, sport event ticket, vacation offer, accommodation or personal treat etc., if such act may cause the Company to be under obligation or to lose any benefit.
- 3.Taking of academic or public service works or acceptance to be a speaker or any title: The Company's personnel at all levels can ask for permission from the director in charge to take such position e.g. director of the Company, consultant etc. that may extend vision and experience of such person provided that the Company or the title held in the Company by such person shall not be associated with external activities unless it is specifically permitted to do so.

#### **Internal Control**

The Company has set up the internal control system to establish confidence among the investors toward its efficient operation and financial statements. The Company has hired Well Planning Solutions Co.,Ltd., an expert in internal audit for many listed companies, to be the internal auditor for the Company since late 2010 until now.

In addition, the Company also appoints Miss Hasaya Chaibuchasak, an auditor from Well Planning Solutions Co.,Ltd. to hold the title as the secretary of the Audit Committee and present internal audit results to the Board at least every 3-month period.

**(4) Meeting of the Board**

The Board's meeting is scheduled to be held at least once every 3 months and special meeting can be held if necessary. Progress report shall be prepared and submitted to the Board every month in order that the Board can continually regulate operation done by the management in timely manner. Invitation letter shall be sent to member of the Board at least 7 days in advance unless it is an emergency case to protect the Company's rights or benefits. Member of the Board can ask for additional information from the Company's secretary.

Chairman of the Board and Chief Executive Officer shall together consider meeting agenda by allowing each member of the Board to propose such agenda. Some agenda may be attended by top executive to provide information in detail.

**(5) Remuneration**

The Company sets out policy on remuneration for member of the Board and of the Audit Committee to the extent it is at the level that can attract member holding qualifications required. Such remuneration shall be at the level comparable to that of the same industry and able to relate to the operation results of the Company. This remuneration shall be approved by the shareholders' meeting.

Remuneration for CEO and top executives shall be fixed at the level suitable for duties and responsibilities based on the principle and policy determined by the Board and for the best benefit of the Company. Such remuneration in the form of salary, bonus and long-term return shall reflect the operation results of the Company and of each executive.

**(6) Development of member of the Board and the executives of the Company**

The Board shall promote and facilitate training and knowledge transfer to persons involving in its good corporate governance system e.g. member of the Board, member of the Audit Committee, executive etc. in order to continually improve the operation. Such training and knowledge transfer may be the in-house one or held by external institution.

Each time new member of the Board or the Committee is appointed, the secretary of the Company shall provide materials that might be of benefit for his/her operation and orientation of business profile and approach to that new director or commissioner.

**6. Treatment of insider information**

The Company has adopted the policy and means for checking on the use of insider information which has not been disclosed to the public by any director and executive on whether it has been abused for personal interest as follows:

1. Provide knowledge to all directors and executives with respect to the duty to report possession of securities by such director or executive or his/her spouse and immature children to the Office of the Securities and Exchange Commission and the Stock Exchange of Thailand pursuant to Section 59 and the Notification of the Office of SEC No. SorJor. 12/2552 regarding preparation and disclosure of securities possession by director, executive and auditor and penalty provision pursuant to Section 275 of the Securities and Stock Exchange Act B.E. 2535.

2. The Company requires its executives to report any changes to his/her securities possession to the Office of the Securities and Exchange Commission pursuant to Section 59 of the Securities and Exchange Act. 2535 and the Notification of the Office of SEC No. SorJor. 12/2552 regarding preparation and disclosure of securities possession by director, executive and auditor in order that the Company can check all securities transactions of all executives.

3. The management being provided with insider and material information which can affect the change in securities value shall suspend exchanges the Company's securities for the period of 1 one month before the financial statements or such insider information is disclosed to the public and shall not disclose such material information to other person. If it is discovered that such insider information has been abused to the detriment of the Company or the shareholders by person holding the title in the executive board, the Board shall impose penalty as deemed appropriate and for such person holding the title lower than that, the executive board shall be the person inflicting a penalty against such person.

## 7. Personnel

### 1. Number of staff and remuneration

The Company's staffs (excluding executives) are classified by key departments as follows:

No.	Major Department	Number of staffs (person)	
		2011	2012
1	Marketing Department	9	19
2	Operations Department	366	469
3	Product Development and Purchasing Department	9	12
4	Logistics and Administration Department	62	89
5	Finance and Accounting Department	19	24
6	Information Technology Department	5	6
7	Business Development and Corporate Department*	-	7
8	Executive Secretary	2	3
9	Sales Department	-	3
<b>Total ( Person )</b>		<b>472</b>	<b>632</b>

Note: \*Currently, Business Development and Corporate Communication has only one staff, namely, the Director who is assigned with the duty on setting out the policy and coordination for business development and corporate communication.

The Company provides monetary remuneration to staffs (excluding executives) in the form of salary, bonus and others such as overtime pay, allowance and contribution to the fund etc. The total amount of such remuneration is described below:

Details	2011	2012
Permanent staff (person)	472	617
Total remuneration (million baht)	85.41	73.88



## **2. Provident Fund**

The Company has set up the provident fund named “Sinsathaphon Registered Provident Fund” managed by BBL Asset Management Co.,Ltd. The Company and each employee shall pay contribution to the fund at the rate of 3 – 5 percent of salary amount on monthly basis. Such fund aims to provide welfare for employee and to motivate them to work for the Company in the long term basis.

## **3. Policy on personnel training and development**

The Company’s policy on personnel development mainly aim to develop and promote human resources to have knowledge and understanding in one’s function under progress in career path and to enhance organization competitiveness.

All sales person shall have been trained with details and characteristics of all product items as well as making up tips, personality development, service provision, sales technique, customer communication, customer advice, sale promotion, warehouse management for shop window as well as POS application to connect the Company’s program. The period of time required for such training is 14 days to ensure it can cover all key subjects as well as field testing to ensure the same standard of service.

Staffs in other departments will also have training for their respective field of operation to enhance skill and expertise.

## Internal Control

### Evaluation of adequacy of the internal control by the Board of Directors

The company stresses the importance of intense internal control and have an efficiency for supporting the operation to meet the target. The company set up the internal control for all activities effectiveness in business operation and management. Moreover, the company setup independent internal control to measure the adequacy and effectiveness of all internal control. The board of director has delegated the audit committee always audit the internal control and give the suggestion to develop the internal control.

In the Board of Directors' meeting no. 4/2012 held on 13 July 2012 which was also attended by the Audit Committee, the Board evaluated internal control system by questioning the management about adequacy of the Company's internal control system on 5 key aspects as follows:

- (1) Organization and its environment
- (2) Risk management
- (3) Control of the executive's operation
- (4) Information and communication system
- (5) Monitoring system

After the evaluation, and the Board considers that the Company has adequate internal control system for transaction with major shareholder, director, executive or person relating to such persons and such internal control system covers 5 major aspects to safeguard property from abuse or unauthorized use by executive. Such system also reflects independency in monitoring and evaluating internal control. In addition, the Company also put in place filing system for significant documents that are available for director, auditor and authority in due time.

### Auditor's observation for the Internal control System of company

DIA International Auditing Co., Ltd. as an auditor of company has the evaluation and verifying the Internal Control System related to preparation of accounting data, to observe the corrective issues found of year 2011 and to present the observation result on Company's Internal Control System as summarize below;

Auditor's observation	Company's corrective action
<p><u>Inventory</u></p> <p>Company's packaging values 2.99 million baht which assigning to other companies then return as finished goods. Company records by cut those packaging off inventory and charge to Cost of sale when it's sent out. In fact, those packaging are counting as inventory of company as of year end. The bookkeeping per that method will affect to less value of inventory (packaging) and affecting over value cost of sale. However, company already adjusted those entry items for Financial Statement as of year ended 31 December 2011.</p>	<p>Company has the internal control system for in-transit packaging by providing report of balance checking monthly and using that balance to record as Periodic Inventory Method accordance in accuracy bookkeeping.</p>

Auditor's observation	Company's corrective action
<u>Registration of company branches</u> Referring to certificate of company registration from Commerce Ministry, as of 31 December 2011. Company did not register added branches and the data was not being	Company registered the added branches with the Commerce Ministry and up to date information, and will revise information once expanded branch.
<u>Payment control system and bookkeeping</u> Bookkeeping of Paid cheque:  Company record paying cheque once it's issued and record clearing when it's given to bearer. Every end of month, company did not reconcile the remaining of accrued cheque.  Approval of payment: Payment of goods to supplier, some items have no check person before making per payment voucher.  Issuing cheque: No A/C Payee in some cheque and crossing bearer on cheque	 Company doing report to reconcile the accrued cheque and bookkeeping as note payable already.      Company has established verifying before approve payment referring to billing process and paying cheque      Company has controlled all blank cheque by do A/C Payee before using it.

### Internal Audit Policy

Company focuses on the sufficient and appropriate of Internal Control System. The risk can be controlled in the accepted range. Company has a policy, procedures and work instruction covering all working processes. Including dividing by checking and balancing responsibility (check and balance). However, to have the internal control system more completely, including continuous improvement as well in long term of late year 2010. Company had appointed Well Planning Solution Co., Ltd. who has professional experiences in Internal Audit to many listed companies. And appointed Ms.Hassaya Jaibucha, the executive director of Well Planning Solution Co., Ltd. working as secretary of Audit Committee, to report the internal audit result the audit committee at least every 3 months.



## Observation of Internal Auditor

During year 2011 – 2012, Well Planning Solution Co., Ltd. assessed the risk effecting the company's operation, reporting to Audit Committee and to plan the auditing by inspecting in priority order. The audit plan is to start checking significant affecting the operation firstly that plan has been approved by Audit Committee. In that period, Internal Auditor already assessed the sufficiency of Company's Internal Control System by inspecting the internal control system of 6 main processes follow; (1) Sales and Marketing (2) Inventory Management (3) Procurement (4) Information System (5) Product Development and (6) Fixed Assets Management. Audit has suggestion that company determines the scope of Internal Control which to support the effectiveness and efficiency of operation, by preparing the concerned work procedure (Work Procedure) by written process, dividing responsibility appropriately, providing document flow chart ( Flow chart) accordance in related working process including the announcement of approval authority completely.

However, Internal Auditor also evaluated the point which has not been improved properly and Auditor giving improvement suggestion to company that company intent to improve per advised as well. Internal Auditor has the report of all internal auditing result included progress of improvement presenting to Audit Committee continuously, as details below;

### (1) Sale and Marketing

Auditor inspecting the process of Sales and Marketing for the first time during March 2011, which suggested that company has set up Internal Control System for the process of Sales and Marketing, this can help working effectively and efficiently as follow;

- Company making the monthly sales forecast of each branch and estimating as overall to control sales operation to achieve business objectives. and implementing as Key Performance Indicator of their operation.
- Prepare the work process related to sales in writing instruction, such as Customer Satisfaction Guarantee Project, Monthly Sales Promotion, Pricing and Criteria of Discount, etc.
- Implement C-Smile program to support company's operation, such as Sale, Inventory Management, and Bookkeeping, etc.
- Use POS (Point of Sales) to help selling process to each retail shop.
- Specify the method and verify deposit cash of each retail shop to the bank.

However, Internal Auditor notifying the internal control that some issues have been managed properly. Company has improved continuously and auditor following up result as the suggestion in January 2012, and April 2012, with some issues having done already as summarized observation issues below;

Auditor's observations	Company's corrective action per auditor suggestion
Issuing bill of good sold to employee such as, goods, uniform are incorrect recording per period of account because of Finance Department will issue the receipt to employee in next month.	Company has issued receipt correctly to same period of transaction including increase working process of goods deduction and uniform for employees which is effective from then on.
Company did not specify the authority approval in Tax invoice, there are no signed the name into "Authorized Person" and cannot inspect the approval of each type of tax invoice. And found the incorrect issuing Tax Invoice instead of Abbreviated Tax invoice.	Company has adjusted Tax Invoice Form and specified authorized person. However, the approval authorization is not prospered to actual process that will improve more appropriate. Moreover, company has adjusted the full form of Tax Invoice already.

Auditor's observations	Company's corrective action per auditor suggestion
Giving discount to customers that do not meet criteria. As that case happen because of customer purchasing products as quantity of promotion of company but company cannot delivery product to customer due to shortage of product. But customer still holding that discount per purchasing order.	Company has suggested that case is Company's responsibility, company cannot deliver product per there purchased quantity and suggested to giving discount to customer per their purchased quantity. And rules and regulation of discount criteria are revised accordingly.
The charge of franchise not in accordance with the term of franchise agreement, that charging more or less than specifying in contract, for example; request increasing 5% of delivery charge and operation charge 10% referring to contract but the amount excluded VAT 7%, etc. In addition, found out the charge of goods for 2 franchises in individual name per previous charging in the past instead of charging under franchise's partners.	The Company has revised the fee charged to franchises in accordance with the franchise agreement since March 2012. In addition, the billing of goods is adjusted to collect charges from franchise partnership agreement instead.
A review of sale Non-cosmetic products to franchisees. 1 items are detected Standy Promotion which is not adjusted selling price. On the cost of purchase.  As reviewing the price of non-cosmetics product group to franchise, found out 1 case that is Standy Promotion which company did not adjust selling price once the buying cost changed.	The case of Standy promotion is to set in the decoration of shop that price not vary changed and company has increased price in process of operation already.

## (2) Inventory Management

Internal Auditor inspecting the process of Inventory management for the first time during June 2011, and suggested to the company that company has provided the internal control for the process of inventory management to support operating effectively and efficiently as summarized follow;

- Company using C-Smile and POS to control the process of inventory management and other linked system.
- Perform inventory count every month end.
- Sort goods with identifying location and able to track locating of inventory in warehouse.
- Provide security in inventory store, for example;
  - Do not allow employee bring any items into warehouse, providing personal locker for employee, physically search employee before entering and leaving the warehouse.
  - Installing CCTV in the warehouse and building.
  - Installing fire extinguisher inside warehouse and building for several positions.
- Assign the person in charge of warehouse clearly, for example; receiving person, sorting person, receiving goods from retail shop, etc.
- Use scanner to sort goods by scanning barcode, correct and less mistake in arranging goods, etc.

Internal Auditor notifying the internal control that some issues has not been managed properly. Then, company has improved continuously and Internal Auditor following up issues as suggested in June 2011. Company has adjusted according to the suggestion as summarized below;

Auditor's observations	Company's corrective action per auditor suggestion
Company ordering packaging from overseas, and then deliver to manufacturing company directly. Company will record the received goods when the made payment was completely but did not keep the delivery note as reference, and no confirmation of packaging inventory which storing at manufacturing company. This matter affect to the amount of inventory in account not the same as amount at manufacturing company	Company maintained confirmation process of the balance of packaging for both manufacturers in domestic and overseas. However, some manufacturing companies refused to store packaging in their warehouse due to more working process. As that result, company already cancelled assignment packaging to store with all manufacturers but company will control the packaging inventory by themselves.
Making retroactive bill of lading for miscellaneous ( Non-cosmetics) that issued by urgent order or purchasing before making Purchase Order.	Company has re-adjusted the purchasing process of Non-cosmetic to improve problem found by allow issuing the retroactive bill of lading for urgent purchasing but not over than 7 days as of purchased date.



Auditor's observations	Company's corrective action per auditor suggestion
Found 1 item that product code and Bill of Material not match the code in purchase order. It may affect booking cost of finished goods incorrectly.	In case 1 item found due to changing new product code and this may confuse employee. Therefore, company re-conforming employee to check production order and product code again to prevent such error. Now, company revised product code in the Bill of Material which informed by Product Development Division, Revised by Purchasing Division and Checked by Account Division. All process are signed to be ensure that new Bill of Material has revised correctly when changing new product code.
No follow up the return of packaging from manufacturing company according to cancellation order.	Company has developed rules and procedures of cancellation order and inquired all cut-off material back to the system already.

### (3) Procurement Process

Internal Auditor inspecting the purchasing process during August 2011, and suggested that company has the internal control system for purchasing process which can support the company's operation effectively and efficiently as summarized below;

- Company has provided the written policy of procurement
- Provide work instruction of procurement department and process of operation for Non-cosmetic (No-Cosmetic) department as written notice, and employee can work correctly per instruction.
- Use C-Smile which is Enterprise Resource Management (ERP) to generate purchasing process, for example ; Purchase Order, Booking of each receiving goods, Booking Account Payable and preparing payment, etc.
- Assess suppliers at least 1 time a year.

Internal Auditor notifying the internal control that some issues has not been managed properly. Then, company has improved continuously and Internal Auditor following up issues as suggested in August 2012. Company has adjusted according to the suggestion as summarized below;

Auditor's observations	Company's corrective action per auditor suggestion
No specifying person in charge and follow up production process of order entry, that having the outstanding production for some entries.	Assigning procurement division follow up the order entry and report work in process which able to check outstanding production entries.
Must separate reasonability between administration and purchasing work.	Company has separated responsibility of administration and purchasing, including providing the written policy
Must have the procedure of hiring contractor regarding to shop's decoration by clearly written.	Company has established the procedure of hiring contractor accordance in shop's decoration in written notice since March 2012, by revised more covering in duration of sending document and follow up document per internal auditor's advice.

#### (4) Information Management System

Internal Auditor inspecting the process of Information System and Information Technology during May 2012, and suggested that company has the internal control system for Information Management System which can support the company's operation effectively and efficiently as summarized below;

- Company has the security policy of Information Technology System and work instruction of Information Technology Division as written instruction, to use as guideline of operation.
- Use the licensed software for operating system (Operating System).
- Specify the authorized accessibility to C-Smile program for each position.
- Implement contingency plan for Information Technology System .
- Install finger print reader on server room to control the access of restricted areas.
- Provide the Key Performance Indicator accordance supporting users of Information System and Information Technology to assess the effectiveness and efficiency of operations.

Internal Auditor notifying the some issues of internal control has not been managed properly. Then, company has improved already per summary follow;

Auditor's observations	Company's corrective action per auditor suggestion
There is no "Authorized Accessibility into the system and password" as written document. Although implementing in practical process but processing without document it could not inspect that work correctly per procedures or not.	Company has made those documents including manual of basic using computer and distributed to employees as well.
There is no written policy on system and database backup to ensure the backup consistency.	The company written the policy on system and database backup.

**(5) Product Development**

Internal Auditor inspecting the process of Product Development during May 2012, and suggested that company has the internal control system for Product Development which can support the company's operation effectively and efficiently per summary below;

- Specify the procedure of Product Development Division in written document, to use as guideline of operation
- Specify key performance indicator of selecting product from total sales, to evaluate continuing production or discontinued selling then placing the new product.
- Provide the policy of production selection by making the yearly plan of new product launching. Then, present to the management for approval
- Provide the follow up process of product life cycle every 6 months.

Internal Auditor notifying the some issues of internal control has not been managed properly. The company has improved the process as summarized below;

Auditor's observations	Company's corrective action per auditor suggestion
Must improve work instruction to be clearer, for example; the current working processes not describe the details of sub-process and some details are not up to date.	Company revised work instruction per suggestion already.
Found 1 item that product code and Bill of Material not match the code in purchase order.	Product Development Division has added step of working process. The changing Bill of Material or other ingredient, Product Development Division informed to procurement division in written document, then procurement division adjusted data correctly. Additionally Account Division will checked the adjusting entry correctly as well. The company has checked other product according to bill of material and product code in purchase order is matched correctly.



## (6) Fixed Assets Management

Internal Auditor inspecting the process of Fixed Assets Management during July 2012, and suggested that company has the internal control system for Fixed Assets Management which can support the company's operation effectively and efficiently as summarized below;

- Specify the policy of fixed assets and procedure of fixed assets operation in written document.
- Provide the account software to help bookkeeping and calculating depreciation of assets.
- Specify the code of assets clearly and place tag on assets properly.
- Provide the asset's folder of each branch, to maintain records of fixed assets of each branch.
- Conduct physical count of fixed assets once a year.

Internal Auditor notifying the some issues of internal control has not been managed properly. The company has improved the process as summarized below;

Auditor's observations	Company's corrective action per auditor suggestion
Must revise the fixed assets management policy to be updated and to cover all identifying asset code. And must have definition of assets clearly that employee can use as sorting guideline.	Company revised fixed assets management policy including clearer definition of all assets.
Must adjust the record or assets because need to be separated code clearly.	Company counted assets again, to sort item and use code correctly. The record of assets is adjusted and Internal Auditor inspecting by random assets code which are tagged completely.
Must add the process of assign repair and follow up the repair assets	Company revised the assigning repair process which is to cover the repair status in the system, follow up, etc.  The assets on pending repair is responsible of Maintenance Division

## Related party transactions

Related party transactions of the Company and person who may have conflict of interest

Person/juristic person who may have conflict of interest	relations	Type of transaction	Amount (Baht)		Balance (Baht)		Necessity and reasonableness	Opinion of the Audit Committee
			2011	2012	As of 31 Dec. 2011	As of 31 Dec. 2012		
Mr. Suwin Kraibhubes and Mrs. Tanyapon Kraibhubes	Shareholders and Company's Director	Loan from directors	33,039,899	954,073	954,073	-	The Company borrowed money without interest from directors to use as its working capital. The Company have fully repaid all loan from directors within the 2 <sup>nd</sup> quarter of 2012 and there will have none of this kind of transaction in the future.	Transaction occurred in the past and will never occur again in the future
		Land lease	944,516	-	-	-	The Company leased the land on which the HQ is located covering the area 520SqWah from Tanaphum Group of Person; which belonged to Mrs. TanyaponKraibhubes at the agreed rent rate of 80,000 THB/month. In December 2011, the Company bought such land owned by Mr. Suwin Kraibhubes and Mrs. Tanyapon Kraibhubes. The buying price was in line with market price appraised by independent valuer and the Company paid the land price by issuing ordinary shares to increase its capital to the two directors for the total amount of 192,400 shares at par value 100THB/share	Such land purchase was reasonably made in order to reduce risks from business operation where the purchase price was a fair value appraised by independent valuer.
		Land purchase	19,240,000	-	-	-	The Company leases the land with building covering the area 203SqWah from Tanaphum Group of Person; which belongs to Mrs. Tanyapon Kraibhubes at the rent rate of 19,000THB/month to be used as the Company's warehouse. The lease term is 3	Such land lease was reasonably made as it was necessary for business operation where the rent was a fair value appraised by independent valuer. The Audit
		Land and building lease	-	348,000	-	-		

Person/juristic person who may have conflict of interest	relations	Type of transaction	Amount (Baht)		Balance (Baht)		Necessity and reasonableness	Opinion of the Audit Committee
			2011	2012	As of 31 Dec. 2011	As of 31 Dec. 2012		
							years between 1 Jan. 2012 and 30 Dec. 2015. The rent rate was in line with such appraised by independent valuer	Committee's meeting No. 5/2012 on date 5 Oct. 2012. The Company reached resolution to change party to the lease agreement from Thanaphum Group of Persons to Mrs. Tanyapon Kraibhubes effective from 1 Oct. 2012 based on the terms and conditions of the original agreement.
		Surety for hire-purchase agreement	-	-	1,188,590	856,033		
		Surety for long term loan	-	-	7,103,185	5,971,327	Mrs. Tanyapon Kraibhubes personally entered into guarantee hire-purchase agreement for car and long term loan for the company without any remuneration.	This guarantee was reasonable and done for the benefit of the Company as the guarantor did not charge from the Company.
		Product sale*	2,854,364	3,775,926	417,285	351,674	C & N International Partnerships the franchisee of Beauty Buffet at Big C Bangna. The terms and conditions of this franchise was the same to such concluded with other franchisees.	Normal transaction with reasonable trading conditions
C & N International Partnership	Mr. Praty Levan, director and shareholder of the Company holds 20% shares in the partnership.	Other income*	25,964	8,970	-	-	The Company collected operation costs according to the terms and conditions of franchise agreement e.g. transport, stock checking etc. which were the same terms applied to other franchisees.	



Person/juristic person who may have conflict of interest	relations	Type of transaction	Amount (Baht)		Balance (Baht)		Necessity and reasonableness	Opinion of the Audit Committee
			2011	2012	As of 31 Dec. 2011	As of 31 Dec. 2012		
Mr. Wasan Khocharoen, V&P Part., S&V Part.	Mr. Wasan Khocharoen holds 50% shares in both Partnerships is a cousin of Mrs. Tanyapon Kraibhubes	Product sale (WasanKhocharoen)	715,662	276,072	96,084	-	V&P Partnership is the franchisee of Beauty Buffet at Big C Phrae and S & V Partnership is the franchisee at Lotus Uttaradit and their terms are similar to those concluded with other franchisees.	Normal transaction with reasonable trading conditions
		Product sale (V&P Part.)	2,472,391	2,767,838	247,217	-		
		Product sale (S&V Part.)	-	-	-	-		
		Other income (WasanKhocharoen)	33,213	4,379	2,157	-		
B Vita International Co.,Ltd. ("B Vita")	Mrs. Ratchanok Chiangthongis the director and shareholder	Other income (V&P Part.)	514,145	438,098	60,490	-	The Company collected operation costs according to the terms of franchise agreement e.g. transport, stock checking etc. which were the same terms applied to other franchisees. Other incomes collected from V&P Partnership were larger than that of C&N International Partnership as they included expenses for staffs at the branch (subject to franchise agreement) while C & N International Partnership recruited their staffs by themselves. Other income from S&V Partnership was franchise royalty.	Normal transaction with reasonable trading conditions
		Other income (S&V Part.)	-	18,692	-	-		
		Products purchase*	4,892,523	5,259,346	870,000	980,000		

Person/juristic person who may have conflict of interest	relations	Type of transaction	Amount (Baht)		Balance (Baht)		Necessity and reasonableness	Opinion of the Audit Committee
			2011	2012	As of 31 Dec. 2011	As of 31 Dec. 2012		
	Mr.Pratya Levan						price compared with those offered by other distributors. Gross profit from the sale of such instant coffee was at similar level to certain Company's products	

Note: \* value of item and balance for related transactions with C&N Internation Partnership and B Vita Co.,Ltd. differ from those disclosed in the financial statements for the year ended on 31 December 2012 because such disclosed value and balance started from 20 April 2012 which was the day Mr. Pratya Levan was appointed as the Company's director but the balance shown above started from the beginning balance for the purpose of continuity.

### Related transaction to be executed in the future

The Company has a plan to use the capital from initial public offering for investment in the expansion of warehouse and setting up training center to support business expansion in the future; one of the key objectives for being listed in the Stock Exchange. The Company shall rent the land from Mrs.Tanyapon Kraibhubes, Director and major shareholder of the Company. Such land covers the area of 3-0-15 Rai (1,215Sq.Wah) located in the area not far from the head office making it convenient for the Company's operation. The Company has a plan to construct warehouse and training center on that land and the project has been developed since the 4th of 2012 and it is expected to complete in 2013.

The extraordinary shareholders' meeting No. 3/2012 held on 17 October 2012 resolved to approve such land lease from Mrs.Tanyapon Kraibhubes by the Company subject to the following terms and conditions:

- (1) Rent of the first year: 72,900 baht/month (60 baht/Sq.Wah)
- (2) Lease term: 20 years
- (3) Increase of rent: 15% every 5 year (based on average inflation rate)
- (4) Total rent for the entire lease term: 28,838,000 baht
- (5) Other key conditions:
  - Land lease agreement shall apply when the Company and lessee have entered into lease transaction and delivered the area. The rent free term is 6 month and rent shall be first applied in the 7th month and thereafter.
  - The Company may renew the lease agreement for another 1 year with monthly rent rate equal to such in 20th year where the Company is required to inform the lessor in advance at least 3 months.
  - After such 21-year period, the lessor shall give preemptive right to the lessee for renewal of lease agreement.
  - If such lease agreement is not renewed, the lessee shall return the leased area in the same condition at the lessee's own expenses.
  - In the event that the Company is not able to commence the construction in that land, the Company has the right to terminate the lease before the construction.

The Audit Committee has the opinion that such lease item was reasonably made and the land location is also suitable and convenient for operation. Monthly rent rate and conditions for increase of rent are in line with fair price appraised by independent valuer approved by the Association of Independent Valuers.

### Measures or procedures for approval of related transaction

The Company's policy is to execute related transaction with transparency, fairness and for the best interest of the company. In making transaction with person who may have conflict of interest, it is required to present this matter to the Audit Committee for approval for the best benefit of the Company and also for protecting investors and stakeholders where such related transaction shall be in accordance with rules and regulations, announcement, order or requirements of the Securities and Exchange Committees and the Stock Exchange of Thailand or relevant laws and such person who may have conflict of interest in that related transaction is not allowed to take part in the approval of such item.

For such related transaction in normal course of business such as product sale/purchase etc., the Company has policy to determine terms in line with such normal trade practice and market price which can be comparable with such price for the third person. The Audit Committee shall consider and provide opinion to such item to the Board of Directors every quarter. Reasonableness of each item shall be based on market price including terms and necessity affecting the business for the best interest of the Company.



### **Trend of related transaction in the future**

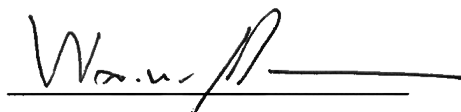
For the related transaction to be executed in the future, conditions shall be in line with normal course of business based on appropriate market price and conditions. The Company and/or group of company shall ask the Audit Committee and/or Independent Director to provide opinion about price and return rate as well as necessity and appropriateness of such transaction. If there shall have any item involved by any person possibly having conflict of interest in the future, the Company shall observe the rule, announcement and/or regulation of the Office of Securities and Exchange Commission and/or the Stock Exchange of Thailand. The Company may ask independent expert or the Company's auditor to provide comment about such related transaction to be used as a basis for making decision by the Board of the shareholders, as the case may be. However, the Company shall disclose related transactions in the note to financial statements audited by the auditor as well as in its annual fact sheet.

## Report of the committee responsibilities to the financial Statement

The board of Directors is responsible for the Company's Financial Statements of Beauty Community Public Company Limited, including the Financial Information contained in the Annual Report that is to prepare according to the generally accepted accounting principles of Thailand with sufficient disclosure of important information to shareholders, for benefits of shareholder and other investors.

In this regard, The Board of Directors has appointed the Audit Committee for auditing and reporting the performance in Company's Financial Statement to the Board of Directors. The suggestion of the Audit Committee of this objective appears in the Report of the Audit Committee which listed in the Annual Report.

The Board of Director has approved that the Internal Control System of company is transparent, and the accuracy of the Financial Statement of Beauty Community Public Company Limited as of year ended 31 December 2012, according to the generally accepted accounting principles.



(Pol.Lt.Gen. Padet Charuchinda)  
Chairman of Board Directors



( Mr. Suwin Kraibhubes )  
Chief Executive Officer

## Report of Audit Committee

The Audit Committee of Beauty Community Public Company Limited is comprised of 3 Independent Directors as follow;

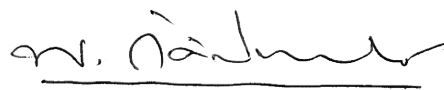
- |                                  |                             |
|----------------------------------|-----------------------------|
| 1. Mr. Peerapong Kitiveshpokawat | Chairman of Audit Committee |
| 2. Col. Attapon Srisangwarn      | Audit Committee             |
| 3. Mr. Viboon Pojanalai          | Audit Committee             |

The Audit Committee has qualifications according to the notification of the Stock Exchange of Thailand Re:Qualification and scope of work of the Audit Committee (2nd Edition) B.E.2522

In the year 2012, the Audit Committee called the total six meetings, with the presence of all the three committee member. The Audit Committee had performed the duty independently and had freedom in expressing the opinions within the boundary of roles and responsibilities which covering the following.

1. To review the accuracy of the Company's Quarterly and Annual Financial Statement of year 2012. with sufficient disclosure. To ensure accounting system and financial report prepared in accordance with generally accepted Accounting Principles and to disclose information sufficiently, completely and trustworthy.
2. To verify the Internal Control System and Internal Audit to ensure that Company's Internal Control System and Internal Audit is appropriate, sufficient and effective.
3. To verify the Company's performance in accordance to the Securities and Stock Exchange Laws, Regulations of Stock Exchanges, and other laws relating to the Company's business
4. To verify the sufficiency and effectiveness of Risk Management System.
5. Supervising the implantation in accordance of good business cooperation, to ensure the operation is transparent including disclosure of related transactions or other transaction of conflicted interest.
6. Considering appointment and remuneration for Company's Auditors which to propose the approval from the shareholder's meeting.

The Audit Committee has the opinion that Company has the overall of Internal Control System in a good criteria, having the Financial Report accordance in accepted generally accounting principles, sufficient disclosure information, appropriated risk management, transparent operation and trustworthy, including the improvement of performance continuously.



(Mr. Peerapong Kitiveshpokawat)  
Chairman of Audit Committee



## Financial position and Operation result

### Financial Statement

#### 1. Summary of Audit

##### Financial Statement as of year end December 31, 2011

Audited by Ms.Somjintana Pholhirunrat, CPA License No. 5599 of DIA International Auditing Company Limited, has expressed the opinion that auditor did not attend observing the inventory count at the beginning as amount 73.06 million baht because in that time had not been appointed as auditor of company yet. In that time, cannot use any inspecting tools to be satisfied in that quantity of inventory except the adjustment entries. Auditor has agreed that the financial statement of company and operation result is correct in accordance with generally accepted accounting principles

##### Financial Statement as of year end December 31, 2012

Audited by Ms.Somjintana Pholhirunrat, CPA License No. 5599 of DIA International Auditing Company Limited, has expressed the opinion that financial statement of company as of 31 December 2012, the Result of Operation and Cash Flow which ended in same date are correct in accordance with the standard of the financial report

## 2. Summary Table of Financial Statement

### STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 and 2011

STATEMENT OF FINANCIAL POSITION	2011		2012	
	Amount	%	Amount	%
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	105,236,513	29.81	298,264,197	27.65
Temporary investments	-	-	460,000,000	42.65
Trade receivables	1,902,971	0.54	3,168,849	0.29
Other receivables	5,094,635	1.44	8,594,418	0.80
Inventories	92,645,954	26.24	123,574,042	11.46
<b>Total current assets</b>	<b>204,880,073</b>	<b>58.03</b>	<b>893,601,507</b>	<b>82.85</b>
<b>Non-current assets</b>				
Property, plant and equipment	94,643,139	26.81	122,111,200	11.32
Leasehold rights	13,261,481	3.76	12,035,852	1.12
Intangible assets	1,357,803	0.38	1,847,967	0.17
Other non-current assets				-
Rental and services deposit	38,083,030	10.79	47,911,662	4.44
Others	807,642	0.23	1,016,972	0.09
<b>Total non-current assets</b>	<b>148,153,095</b>	<b>41.97</b>	<b>184,923,653</b>	<b>17.15</b>
<b>Total assets</b>	<b>353,033,169</b>	<b>100</b>	<b>1,078,525,160</b>	<b>100.00</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade payables	34,075,250	9.65	37,105,259	3.44
Other payables	29,724,858	8.42	31,727,309	2.94
Current portion of financial lease liabilities	373,500	0.11	266,130	0.02
Current portion of long-term loans	1,016,724	0.29	1,052,215	0.10
Accrued income tax	50,317,867	14.25	12,951,320	1.20
<b>Total current liabilities</b>	<b>115,508,200</b>	<b>32.72</b>	<b>83,102,232</b>	<b>7.71</b>
<b>Non-current liabilities</b>				
Financial lease liabilities	815,090	0.23	558,505	0.05
Long-term loans	6,086,461	1.72	4,919,112	0.46
Loans from directors	954,073	0.27	-	-
Employee benefit obligations	987,304	0.28	1,281,551	0.12
Other non-current liabilities	1,616,400	0.46	2,212,754	0.21
<b>Total non-current liabilities</b>	<b>10,459,329</b>	<b>2.96</b>	<b>8,971,923</b>	<b>0.83</b>
<b>Total liabilities</b>	<b>125,967,528</b>	<b>35.68</b>	<b>92,074,154</b>	<b>8.54</b>
<b>Shareholders' equity</b>				
Authorized share capital	55,000,000	15.58	300,000,000	27.82
Issued and paid-up share capital	55,000,000	15.58	300,000,000	27.82
Premium on share capital	-	-	556,439,629	51.59
Retained earning - appropriated - legal reserve	-	-	10,787,500	1.00
Retained earning - unappropriated	172,065,641	48.74	119,223,877	11.05
<b>Total shareholders' equity</b>	<b>227,065,641</b>	<b>64.32</b>	<b>986,451,006</b>	<b>91.46</b>
<b>Total liabilities and shareholders' equity</b>	<b>353,033,169</b>	<b>100.00</b>	<b>1,078,525,160</b>	<b>100.00</b>

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2012 and 2011

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STATEMENTS OF COMPREHENSIVE INCOME	2011		2012	
	Amount	%	Amount	%
Revenues from sales	612,075,315	99.47	769,887,780	99.00
Cost of sales	175,161,522	28.47	221,161,961	28.44
<b>Gross profit</b>	<b>436,913,794</b>	<b>71.38</b>	<b>548,725,819</b>	<b>71.27</b>
Other income				
Interest	950,194	0.15	4,178,037	0.54
Others	2,287,775	0.37	3,588,298	0.46
<b>Total other income</b>	<b>3,237,969</b>	<b>0.53</b>	<b>7,766,335</b>	<b>1.00</b>
<b>Total revenues</b>	<b>615,313,284</b>	<b>100</b>	<b>777,654,115</b>	<b>100.00</b>
<b>Profit before expenses</b>	<b>440,151,762</b>	<b>71.53</b>	<b>556,492,154</b>	<b>71.56</b>
Selling expenses	168,660,614	27.41	255,071,421	32.80
Administrative expenses	72,803,075	11.83	82,450,901	10.60
<b>Total expenses</b>	<b>241,463,690</b>	<b>39.24</b>	<b>337,522,322</b>	<b>43.40</b>
<b>Profit before financial costs and income tax</b>	<b>198,688,072</b>	<b>32.29</b>	<b>218,969,831</b>	<b>28.16</b>
Financial costs	978,876	0.16	456,496	0.06
<b>Profit before income tax</b>	<b>197,709,197</b>	<b>32.13</b>	<b>218,513,335</b>	<b>28.10</b>
Income tax	63,485,367	10.32	44,817,597	5.76
<b>Profit for the year</b>	<b>134,223,830</b>	<b>21.81</b>	<b>173,695,737</b>	<b>22.34</b>

\*\*\* Percentage of Gross profit is calculated by: Profit margin divided by main revenues from product's sales  
(excluded other revenues) which related to the disclosure margin in the financial ratio.



**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 and 2011**

(Unit: Baht)

<b>STATEMENTS OF CASH FLOWS</b>	<b>2011</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	197,709,196.53	218,513,334.06
Adjustment profit before income tax to cash receipt (disbursement)		
from operating activities		
Depreciation and amortization	17,346,389.54	22,667,566.17
Loss on devaluation of inventories	784,907.87	287,940.94
Reversed allowance for devaluation of inventories	-	-3,777,404.21
Gain on sales of assets	-50,899.91	-104,998.00
Loss on write off of assets	1,606,739.54	404,754.33
Employee benefit expenses	744,079.00	294,247.00
Interest expenses	978,875.83	456,496.46
Profit from operation before changes of operating assets and liabilities	219,119,288.40	238,741,936.75
(Increase) Decrease in changes of operating assets		
Trade and other receivables	-3,668,395.48	-4,765,661.26
Inventories	-20,372,952.31	-27,438,625.19
Other non-current assets	-19,845,958.55	-10,037,961.48
(Increase) Decrease in changes of operating assets	-43,887,306.34	-42,242,247.93
Increase (Decrease) in changes of operating liabilities		
Trade and other payables	-1,932,408.03	-8,386,440.57
Other non-current liabilities	402,697.55	596,354.30
Increase (Decrease) in changes of operating liabilities	-1,529,710.48	-7,790,086.27
Cash generated (paid) from operation	173,702,271.58	188,709,602.55
Interest paid	-978,875.83	-456,496.46
Income tax paid	-26,162,497.77	-82,184,144.28
<b>Net cash provided by (used in) operating activities</b>	<b>146,560,897.98</b>	<b>106,068,961.81</b>
<b>Cash flows from investing activities</b>		
Purchase of temporary investments		-460,000,000.00
Purchase of building and equipment	-22,160,652.10	-35,384,780.32
Proceed from sales of equipment	2,624,252.34	105,000.00
Purchase of intangible assets	-945,680.52	-1,001,238.92
<b>Net cash provided by (used in) investing activities</b>	<b>-20,482,080.28</b>	<b>-496,281,019.24</b>
<b>Cash flows from financing activities</b>		
Payments for financial lease liabilities	-2,464,269.17	-363,955.24
Repayments for long-term loans from financial institution	-1,436,801.22	-1,131,858.80
Decrease in loans from directors	-33,039,899.16	-954,073.32
Proceeds from share capital increase		822,500,000.00
Payments for cost of sale share capital		-21,060,371.13
Dividend paid	-	-215,750,000.00
<b>Net cash provided by (used in) financing activities</b>	<b>-36,940,969.55</b>	<b>583,239,741.51</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>89,137,848.15</b>	<b>193,027,684.08</b>
<b>Cash and cash equivalents as at the beginning of period</b>	<b>16,098,664.96</b>	<b>105,236,513.11</b>
<b>Cash and cash equivalents as at the end of period</b>	<b>105,236,513.11</b>	<b>298,264,197.19</b>

**Financial ratio**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 and 2011**

Financial ratio	Unit	2011	2012
<b>Liquidity ratio</b>			
Current ratio	(Time)	1.77	10.75
Quick ratio	(Time)	0.93	9.27
Cash ratio	(Time)	1.59	1.07
Account receivable turnover	(Time)	402.4	303.59
Average collection period	(day)	1	1
Inventory turnover	(Time)	2.11	2.05
Inventory days	(day)	170	176
Finished goods turnover	(Time)	3.19	3.2
Finished goods days	(day)	113	113
Account payable turnover	(Time)	5.6	6.21
Average payment period	(day)	64	58
Cash cycle	(day)	107	119
<b>Profitability ratio</b>			
Gross profit margin	(%)	71.38%	71.27%
Operating profit margin	(%)	32.46%	28.44%
Quality of earnings	(%)	109.19%	48.44%
Net profit margin	(%)	21.81%	22.34%
Return on equity	(%)	99.37%	28.63%
<b>Efficiency ratio</b>			
Return on assets	(%)	49.68%	24.27%
Return on fixed assets	(%)	110.49%	179.58%
Total assets turnover	(Time)	2.28	1.09
<b>Financial policy ratio</b>			
Debt to equity ratio	(Time)	0.55	0.09
Interest coverage ratio	(Time)	177.45	331.53
Debt service coverage ratio	(Time)	2.48	0.15
Dividend payout ratio	(%)	0.00%	124.21%
Earning per share (fully diluted)	(Baht)	0.45	0.58

Remark : \* Calculating the fundamental of registered capital at 300million shares, par value 1 baht.

## Financial analysis and summary

### 1. Summary of preceding operation

Beauty Community Public Co., Ltd. was established on 19th October, 2000. (The former name is Monapolitan Co. Ltd.) The Beauty provides the retail business for the beauty accessories such as Make-up, skin cares and accessories. Nowadays, Beauty runs the businesses under 3 concepts; Beauty Buffet, Beauty Cottage and Made-In Nature which has differences in their packaging designs, distribution channels and marketing positions for fulfilling the different customer groups and create customer bases covering every level of beauty accessory uses.

Beauty Buffet and Beauty Cottage provide the retailer channels, the Buffet has the greatness on cosmetics sale while Cottage which started the business in the third quarter of 2011 focusing on Natural products for skin care. In the 2nd quarter of 2012, The company had presented products under the Made-In Nature concept distributing via modern trade channels for attracting the customer's group. The products are bath gel and natural skin lotion which are the daily-used products. In the past, the Beauty Community expands more branches of retailer for distributing in Bangkok Metropolitan Region and other provinces around the country including creation of Modern Trade distributing channels which make great total income to the company continuously from 615.31 million baht in 2011 to 777.65 million baht in 2012. It's calculated that there is 26.38% growth rate. In 2011-2012, the company gains the 21.81% and 22.34% net profit (134.22 and 173.70 million baht respectively.). The main reason which affects the great increasing of net income is the quick presentation and expansion of Beauty Cottage and make more gross profit margin than Beauty Buffet a little bit including the increasing income and the stable expenses which make the Economy of scale in business. The great net profit also came from the decreasing of Corporate Income Tax in 2012 (from 30% to 23%)

At present, to welcome joining in Asean Economic Community ( AEC ) and Free Trade Area ( FTA ), the company issues the new developing concept structure involving beauty, health and life style that is what the company is experienced for serving various demands of customers for stable growing conforming to the cosmetic market current and growing cosmetic export value in Thailand. The continuously expansion and development system (E-Commerce) provide more opportunities to approach the customers.

### 2. Result analysis for 2011-2012

The performance analysis for 2011-2012 is below;

#### • Income

In 2011-2012, the total income of the company is 615.31 and 777.65 million baht respectively. It's calculated as the 26.38 growing rate. So, the incomes are from distributing 3 kinds of main products; Make-up, Skin cares and accessories that the average sales are 49%, 44% and 6% respectively.

Revenue Structure	2011		2012	
	Amount	%	Amount	%
Make up	314.28	51.08	383.67	49.34
Skincare	257.57	41.86	339.13	43.61
Accessories	40.23	6.54	47.09	6.06
Total revenue by product	612.08	99.47	769.89	99.31
Other revenue	3.24	0.53	7.77	1.00
Total revenue	615.31	100.00	777.65	100.00

The income of the company has growing up continuously because of the expansion of Beauty buffet retailers and the first release of Beauty Cottage in the 3rd quarter of 2011 including the increasing of Modern Trade channels in the concept of Made-In Nature which had first presented in the 2nd quarter of 2012. The details are stated below;

Revenue Structure	2011			2012		
	Amount	% (Per Total revenue)	% (Per revenue by product)	Amount	% (Per Total revenue)	% (Per revenue by product)
<b>Revenue from Beauty Buffet</b>						
Make up	311.42	50.61	51.55	347.42	44.68	51.39
Skincare	253.15	41.14	41.90	287.23	36.94	42.49
Accessories	39.58	6.43	6.55	41.41	5.32	6.13
<b>Total Revenue from Beauty Buffet</b>	<b>604.14</b>	<b>98.18</b>	<b>100.00</b>	<b>676.06</b>	<b>86.94</b>	<b>100.00</b>
<b>Revenue from Beauty Cottage</b>						
Make up	2.86	0.47	36.07	36.25	4.66	41.71
Skincare	4.41	0.72	55.61	44.98	5.78	51.75
Accessories	0.66	0.11	8.32	5.68	0.73	6.54
<b>Total Revenue from Beauty Cottage</b>	<b>7.93</b>	<b>1.29</b>	<b>100.00</b>	<b>86.91</b>	<b>11.18</b>	<b>100.00</b>
<b>Revenue from Made in nature</b>	-	-	-	6.92	0.89	100.00
Other revenue	3.24	0.53	100.00	7.77	1.00	100.00

(1) Incomes from Beauty Buffet.

The income from main sales of the company is come from distribution products which are under the Beauty Buffet concept. In 2011 and 2012, the income was 604.14 million baht and 676.06 million baht respectively. It is calculated as 98.18% and 86.94% of the total sales respectively and considered as the 11.90% growing rate which is the effect of setting up branches in every region for approaching customers. The total branches, at the end of 2012, were 148 branches increasing from 120 branches at the end of 2011 including setting up some distributors in Cambodia in February, 2012.

Distribution under the Beauty Buffet concept; colorful and modern cosmetics, it make up product sales was higher than other products (51% average rate of total sales of Beauty Buffet). For the skin cares and beauty accessories' sales, there are the 43% and 6% rates of distribution respectively. Besides of retailer's distribution which is operated by the company, there are the distributions in other channels such as appointed franchises or wholesalers who sell our products in the other places. These distributions has 3% and 1% average sales rate of total Beauty Buffet sales. Currently, the company doesn't have any policies to set up more franchises and the total sales to wholesaler will be decreasing because the company has the policies to support the branches expansion covering the target area instead.



### The effect from the great flood to Beauty Buffet in 2011

In the last 6 months of 2011, there was a great flood which made the company to close down the Beauty Buffet business temporarily;

No.	Branch	Closing duration (day)	Remarks
1	TESCO LOTUS NAVANAKORN	208	Inventory and Damaged assets is totaling at 0.16 million baht
2	TESCO LOTUS SALAYA	129	Damaged assets totaling 0.29 million baht
3	TESCO LOTUS LAMLUKKA	94	Damaged assets totaling 0.20 million baht
4	MAJOR PINKLAO	46	No product and assets damaged.
5	BIG C CHAENGWATTANA	40	No product and assets damaged.
6	BIG C RATTANATHIBET	36	No product and assets damaged.
7	FUTURE PARK RANGSIT	31	No product and assets damaged.
8	THE MALL BANGKAE	30	No product and assets damaged.
9	BIG C LAMLUKKA	29	No product and assets damaged.
10	BIG C FUTURE PARK RANGSIT	29	No product and assets damaged.
11	BIG C LAMLUKKA 2	28	No product and assets damaged.
12	TESCO LOTUS NONGCHOK	28	No product and assets damaged.
13	TESCO LOTUS RANGSIT KLONG 7	27	No product and assets damaged.
14	CENTRAL PLAZA WONGSAWANG	24	No product and assets damaged.
15	TESCO LOTUS LAKSI	24	No product and assets damaged.
16	CENTRAL PLAZA LADPRAO	22	No product and assets damaged.
17	MAJOR HOLLYWOOD CHAENGWATTANA	22	No product and assets damaged.
18	CENTRAL PLAZA CHAENGWATTANA	21	No product and assets damaged.
19	BIG C CHAENGWATTANA 2	20	No product and assets damaged.
20	CENTRAL PLAZA PINKLAO	19	No product and assets damaged.
21	FASHION ISLAND 2	18	No product and assets damaged.
22	FASHION ISLAND 3	17	No product and assets damaged.
23	MAJOR CINEPLEX RATCHAYOTIN	17	No product and assets damaged.
24	TESCO LOTUS PINKLAO	15	No product and assets damaged.
25	UNION MALL LADPRAO	15	No product and assets damaged.

From that great flood, there were the huge damages to the 3 branches of Beauty Buffet called Lotus Nawanakorn branch, Lotus Salaya branch and Lotus Lamlukka branch as the above table, but there are no any damages to the other branches because the company can transfer and remove out the necessary properties in time. Besides that, in 2011, the Central Plaza Ladprao branch had to close down temporarily because the department store had to renovate for 195 days

Even if, the great flood effected in the wide area, but the sale in 2011 had increasingly growing up. Anyway, considering from the monthly average income of each closed branch comparing to the temporarily closed days, the company lost the sale opportunities amount 15 million baht.

#### (2) Incomes from Beauty Cottage

The products under the Beauty Cottage concept were first introduced in August, 2011 at the Central Plaza Ladprao Department Store. After opening the first branch there were the great flood, it makes the company closed this branch for 21 days that delayed the total sales and expansion plan in 2011 a little bit. At the end of 2011, the company had to open 10 branches and earned 7.93 million baht total incomes. In 2012, the company earned incomes from Beauty Cottage in amount 86.91 million baht. It is calculated as the 995.96% growing rate from 2011. There are 31 branches in the end of 2012.

Beauty Cottage focuses on the presenting of natural extracted products which have many expertised in skin cares. The focusing makes the total sales of skin cares reached 52% comparing with the total sales of Beauty Cottage products while the cosmetics and beauty accessories products sales is around 42% and 6% respectively. So, the Beauty Cottage products have been distributed to the wholesaler same as the Beauty Buffet products. The amount of distribution is around 2% of total sales, but there are no franchise distributors.

#### (3) Incomes from Made-In Nature

The company had introduced the products under the Made-In Nature products and distributed to the large retailers or Modern Trade in April, 2012. The products are in the concept of High quality natural extracted products which has the 6.92 million baht total sales in 2012. Nowadays, Made-In Nature presents only for the bath gel and body lotion products because they are the general things that can be used for every customer group. The company plan to expand more various kind of products and expect more income for this plan.

#### (4) Other Incomes.

The total other incomes in 2011-2012 are 3.24 million baht and 7.77 million baht respectively. The company's other income is the profit from selling fixed assets in the operation such as cars. In 2011-2012, there is 0.05 million baht and 0.10 million baht respectively (the income from selling fixed assets in 2011 including the effect of distributing products and fixed assets which were damages from the great flooding in amount 0.64 million baht). Besides, the company has the other incomes in 2011 and 2012 in amount 3.19 million baht and 7.67 million baht, mainly from interest received, franchise management fee and the income from employees such as uniforms and etc.

#### ● Cost of sales and gross profit

Cost of sales of the company in 2011 and 2012 are 175.16 million baht and 221.16 million baht respectively. It is calculated respectively as the 71.38% and 71.27% gross profit margin. In the 2nd quarter of 2012, the company started to distribute Made-In Nature products via Modern Trade channel which make the gross profit rate less than the distribution via retailers, so that, it decreased the total gross profit rate a little bit in 2012 comparing to the 2011.

Due to the company doesn't have any policies to produce the products with themselves, so, the main element of the cost of sales is the cost of goods. For the Beauty Buffet and Beauty Cottage, it is considered on the average that the ratio is more than 99% of the total cost. The ratio is rather stable in every year because there is a little bit the fluctuation affected to the production price. The company will plan annually for the production order and the product releasing, this will provide the flexibility for adjudging the pricing process conforming to the cost of production. For the other involving costs are cost of delivery, taxes and other importing expenses. These factors are considers on the average as the 0.5% of total cost of sales.

For the Made-In Nature products, there is the cost structure differed from the others. Due to the company distributed the products via Modern Trade. In the first 6 months of 2012, the Modern Trade distribution will be the outright sales which the department store will divide the expenses into 2 parts; the first is the entrance fee in amount 5,000 baht – 150,000 baht (the expenses will be recorded in the sale's expenses.) and sale profit's shares is around 25-40% (will be accounted in the cost of sales.). Such expenses will differ as in each store's conditions.

Moreover in 2012, the company distributed Made-In Nature products in the consignment program with 2 appointed distributors. The first called "7-Catalog" magazine owned by CP ALL Public Co., Ltd. the payment of printing media, advertising, stock and distributing will be paid in every 2 months. The price sold to CP ALL Public Co., Ltd. will have the discount rate nearly the profit share of the Modern Trade distributing. The second, products will be consigned and delivered to sell at Wutthisak stores owned by Wutthisak Pharmacy Inter Co., Ltd. the price will have the discount rate nearly the profit share of the Modern Trade distributing as well.

So that, the distributing condition for the outright sale and consignment program will support the Made-In Nature's cost of sales to be higher than other products. However, these kinds of distributing will decrease the expenses from sales and management of the company such as the salary of sales representatives, rental cost, training cost, commissions and etc. With this decreasing, the net profit rate of distributing Made-In Nature will be nearly with the other products.

#### ● Selling and general administrative expenses

Selling expenses in 2011 and 2012 are 168.66 million baht and 255.07 million baht respectively. It is considered as 27.41% and 32.80% of the total incomes. The company's Selling and expenses mainly came from rental and service senders expenses in retailer branches which were amount 75.27 million baht and 108.36 million baht respectively in 2011 and 2012. It is considered as 14% of the total incomes. The other selling expenses are staff cost, commission, advertising and promotion cost which are considered on the average as 6%, 2% and 2% of the total income respectively. So, the selling expenses comparing to the total income in 2012 has increasing from 2011, due to there were rental and the service senders costs from expanding new branches continuously including the entrance fee paid to Modern Trade for distributing Made-In Nature products. Those expenses had also calculated with the new employees' wages adjudged to be the minimum wages including with the media and television advertising expenses. The added advertising expenses were broadcasted in the 3rd quarter of 2012 and were record as the selling' expenses for the 3rd quarter in amount 7.34 million baht. So that, the rental and service costs, staff cost and advertising and promotion expenses were calculated as 14%, 7% and 3% of the total incomes respectively.

The general administrative expenses in 2011 and 2012 are 72.80 million baht and 82.45 million baht respectively. It is calculated as 11.83% and 10.60% of total incomes respectively. The main general administrative expenses are the staff cost, in 2011 and 2012, the staff cost were 38.95 and 43.51 million baht respectively. It is calculated as 6% of the total incomes. For the other general administrative expenses such as travelling, training, fees, office expenses, depreciation and others were considered as 5% of total incomes. So, in 2012, the expenses were decreased because the total income had growing up while some general administrative expenses such as traveling, office expenses and depreciation costs were increased lower than the incomes. Anyway, in 2012, the company paid totally 3.96 million baht for fees. It was quite higher than the previous year. The reasons were to paid more occupation fees such as auditor fees, internal auditor fees because the company had to prepare for registration in set including paid some expenses to be the public company.

#### ● Net profit

The company gained the net profit for 2011 and 2012 in amount 134.22 million baht and 173.70 million baht respectively. It is considered as the 21.81% and 22.34% net profit margin respectively. The net profit margin had increased because of the increasing sales and the company paid the income tax rate which was lessened from 30% in 2011 to 23% in 2012. For 2012, there were some expenses from IPO in SET such as underwriting fee paid to the financial advisors, Filing fees, paid to the Securities and Exchange Commission and initial Fee. paid to the Stock Exchange of Thailand in amount 21.06 million baht. The company had record this amount to deduct from the premium on share capital, but in taxation, it can be considered as the expenses to calculate Corporate Income Tax, so income tax was decreased in 2012.

### 3. The analysis of Financial position in 2011-2012

#### ● Assets

The company's total assets at the end of 2011-2012 are 353.03 million baht and 1,078.53 million baht respectively. It is considered as the 205.50% expansion rate. The main causes of total assets growing in 2012 are the Beauty Buffet products which have the continuous growing sales' rates including the introduction of Beauty Cottage products. Both reasons made the company gained cash from operation, increased more inventory stock and increased more fixed assets from expanding business and also gained more capital increases in share capital which distributed to public in December, 2012.

The current assets at the end of 2011 – 2012 were 204.88 million baht and 893.60 million baht respectively. It is considered as 58.03% and 82.85% of the total assets respectively. The company's current assets consist of the important assets as below;

(1) Cash and Cash Equivalents at the end of 2011 – 2012 were 105.24 million baht and 298.26 million baht respectively. It is considered as 29.81% and 27.65% of the total assets respectively. In 2012, Cash and Cash Equivalents had been increased immensely from the profit of operation and from the capital increases in share capital which distributed to public in December, 2012.

(2) At the end of 2012, the company owned the temporary investment in amount 460 million baht. It was the short-term deposits with the financial institutions in Thailand which was the assets gained from the capital increases in share capital which distributed to public in December, 2012.

(3) Net Trade Account Receivables at the end of 2011-2012 were 1.90 million baht and 3.17 million baht respectively. It is considered as 0.54% and 0.29% of the total assets respectively. The company had few and far between the trade account receivables and total assets because distributing mainly in cash sales with 1 day average collection period. In 2011, the company gave the trade credit only for the franchise receivables and company staff, but in 2012, the company start to distribute Made-In Nature products via Modern Trade, it increased more trade credits for this trade partner and with the increasing of sales from franchises, so, the total trade receivables were increased also. However, the company still retained the 1 day average collection period, so the main unpaid-debt receivables were trade franchise receivables, and the company staff trade receivables which have the great abatement more than ordinary receivables. Anyway, the company has no the outstanding receivables with exceeding 6 months unpaid balance and has no any doubtful accounts.

(4) Other receivables at the end of 2011-2012 were 5.09 million baht and 8.59 million baht respectively. It is considered as 1.44% and 0.80% of the total assets respectively. Most are the goods deposit, prepaid expenses, accrued interests and etc.

(5) Inventory stock values at the end of 2011-2012 were 92.65 million baht and 127.57 million baht respectively, it is considered as 26.24% and 11.46% of the total assets respectively. The company's inventory stock values are divided into finished goods, packaging and consumable material as the table illustrated.

Inventories	Amount (Baht)	
	As of 31 December 2011	As of 31 December 2012
finished goods	55,002,756	83,236,928
packaging	36,096,468	31,629,636
Work in process	2,987,046	7,573,321
consumable material	2,337,087	1,422,098
<b>Total Inventories</b>	<b>96,423,358</b>	<b>123,861,983</b>
Allowance for devaluation of inventories	(3,777,404)	(287,491)
<b>Net Inventories</b>	<b>92,645,954</b>	<b>123,574,042</b>



The company doesn't have any policies to produce the products by itself, but we have plan to order to the factory who provide all the production line. So that, most of inventory stock are finished goods and the packaging which have the average values around 93% of the total inventory stock. The finished goods has policy to book an allowance for devaluation by the aging of inventories. For example, skin cares products will be set in the faster rate than the make-up and beauty accessories. It's because the shelf-life of skin cares products is shorter and there are defected, expired or revoked, the skin care products will book allowance for devaluations 100 %. For the packaging, the company policy set in the slower rate than the finished goods. It is because most of the packaging can be used with the various kind of product including renewal the labels in case of production revocation. For the consumable materials, most of them are uniforms and other equipment which are book an allowance for devaluations already.

The inventory stock which has been book an allowance for devaluation are mostly packaging such as bottles, boxes, stickers. For the discontinued products or the products which can't be reused and the damaged finished goods, the company will keep them in the warehouse for decadent products. In 2011 and 2012, the company record the reserved cost for this warehouse in amount 3.76 and 0.21 million baht respectively. There was the decreasing reserved cost in the 2012 because the company demolished the unused products in December, 2012. The demolition was followed all of the regulations issued by the Revenue Department of Thailand.

At the end of 2011 – 2012, the inventory days of the company were 170 days and 176 days respectively. It is considered quite long because the packaging stock were in calculation. As the report in 2012, we can see the increases of average inventory days because there was the great flood which caused the shortage of products. The shortage made the company to consider to increase the inventory stock, especially for stocking packaging to reduce any risk in the future. However, if we calculate only for the average finished goods days at the end of 2011-2012, the finished goods days will be 113 days in both years. It is reasonable to stock the products for more expansion shops. So, the company has regularly checked the shelf-life and has managed the life of each product's group. It retains 98.74% of the instant products and packaging in the warehouse to have not exceeding 1 year aging and the risk of the devaluation is in the low level.

Non-current assets at the end of 2011 – 2012 were 148.15 million baht and 184.92 million baht respectively. It is considered as the 41.97% and 17.15% of the total assets respectively. The main non-current assets are property, plant and equipment. The values of the main non-current assets at the end of 2011 – 2012 were 94.64 million baht and 122.11 million baht respectively. It is considered as the 29.02 growing rate. The majority is the investment for the equipment and furniture for expanding Beauty Buffet and Beauty Cottage retailer branches. Moreover, in 2011, the company increased the capital to buyings land that the Head Office located in amount 19.24 million baht.

The other important non-current assets are rights for long-term rental at MBK 1, the rights were amortized in 7 year in straight-line methods which the agreement will expire in 2013. So, the company has extended the agreement to 10 years which will expire in 2023. In addition, the other non-current assets are rental deposit which have been increasing continuously from expanding braches and intangible assets such as the computer programs which be used for operating business.

For the fund raising from public in December, 2012, the company will take some of the fund to invest the expansion of branches to distribute products including to invest for infrastructure for the future growth such as ERP system, expanding warehouse, training and etc. The fund effects to the increasing of the company total assets.

## ● Liquidity

### (1) Cash Flow Liquidity

The cash flow from the company operating activities in 2011 – 2012 were 146.56 million Baht and 106.07 million Baht respectively. The mainly came from the increasing inventory stocks in the company because the sales was increased. Moreover, we have paid 82.18 million Baht for the income tax to the Revenue Department in 2012. The cash flow from investing activities in 2011 – 2012 were (20.48) million Baht and ( 496.28 ) million Baht respectively. Since the company had 460.00 million Baht from the temporary investment. Besides, we purchased the fixed asset such as the building, the equipment and the office furniture. We also purchased the computer program for the business operation. For the cash flow from financing activities in 2011 – 2012 were (36.94) million Baht and 583.24 million Baht respectively. By 2011, we net cash used in the financing activities, because we expended 33.04 million Baht for the loans from directors. Although the capital increase was added by 50 million Baht, it is the capital increase with no any effects to the cash. Since some of the payment was repaid for the stock by conveying the land from directors and another was the capital increase by payment the loans from directors . For 2012, The company paid 215.75 million Baht for the dividend. The capital increase was added by 822.50 million Baht.

### (2) Liquidity Ratio

In 2011 – 2012, the company's liquidity ratios were 1.77 times and 10.75 times respectively. These are the good rate for us. Due to our company had saved many cash for the operating activities. The liquidity ratio in 2012 was increased significantly from capital increases in common share which distributed to the public in December, 2012. However, if considering from the cash cycle, we find that the period of our company's cash cycle was extended. In 2011 – 2012, the cash cycles of the company were 107 days and 119 days respectively. The main reason was the increasing average inventory days and the slightly decreasing loan payment period. Nevertheless, the company has had the enough liquidity for a long-term cash cycle management. Therefore, it is not necessary to use a short-term loan from financial institutions.

## ● Source of Fund

The total liabilities of the company at the end of 2011 – 2012 were 125.57 million Baht and 92.07 million Baht respectively. The important current liabilities were following;

(1) The total amount for trade account payable at the end of 2011 – 2012 were 34.08 million Baht and 37.11 million Baht respectively. It is calculated as 9.65% and 3.44% of the total assets respectively. The payment periods were 64 days and 58 days respectively.

(2) Other trade payable were accrued expenses, Revenue Department Payable, renders payable, for example, rental cost building and office equipment. At the end of 2011 – 2012, the company paid for 29.72 million Baht and 31.73 million Baht for these expenses respectively. It is calculated to be 8.42% and 2.94% of the total asset respectively.

Non-current liabilities of the company at the end of 2011 – 2012 were 10.46 million Baht and 8.9 million Baht respectively. At the end of 2011, the company spent 63.80 million Baht for re payment loans from director. The loan from director balance at the end of 2011 was 0.95 million Baht. The company had already repaid for the loan completely since the 2nd quarter of 2012. Moreover, the other non-current liabilities of the company were the financial leasing liabilities which was the car leasing for the executive, the long-term loan from financial institutions which was paid for the Beauty Buffet's shop rental located at MBK shopping mall. However, the long-term loan was assigned by the renter. Besides, the other non-current liabilities was the employee benefit obligations. We had to calculate the compensatory benefit for employees who resigned from the company and offer them the pension as the Labor Protection Act A.D. 1998 legally stated. The employees will receive the benefit when they retire and the other long period benefit based on the right and experiences following the Thailand Accounting Standard no. 19 which have been valid since 2011.

At the end of 2011 – 2012, the shareholders' equity were 227.07 million Baht and 986.45 million Baht respectively. At the end of 2011, we increased the authorized share capital from 5 million Baht to be 55 million Baht (Baht 100 each) which some of them were the conveying the land where is the location of head office from director and the increasing of the retained earnings from the company net profit. In 2012, the shareholders' equity were increased more than 2011 because the increasing of the retained earnings from the company net profit, moreover, there was the increasing of the the authorized share capital from 55 million Baht to be 300 million Baht (Baht 1 each). There was 300 million Baht for the issued and paid up share capital. We divided 162.50 million shares for two committees which the total amount was 162.50 million Baht. The shares were paid up on July 31, 2012 and August 1, 2012. The company offered 8 Baht per shares for the 82.50 million stocks which was distributed to the public and our staff. The shares were paid up for 660 million Baht on December 4, 2012. By the reason, the company had 577.50 million Baht for the premium on share capital. The company spent 21.06 million Baht from shares distribution to offset this premium on share capital. There was the balance of the premium on common stock at 556.75 million Baht, Moreover, there were paying 215.75 million Baht for the dividend from the retained earning. From the cause, there was 119.22 million Baht for the retained earning balance. (see more details in financial statement report as at December 31, 2012 and 2011 : the item 19 on the share capital, pages 17)

Debt to equity ratio at the end of 2011 and 2012 were 0.55 times and 0.09 times respectively. They were decreased because there were shareholder' equity increased from increased of share capital and retained earnings. As you can see, the company used shareholder's equity as the source of fund for company operation. The advantage of the source is the low financial risk and good liquidity in business operation.

- **Auditor fee**

The company Financial statement was audited by Miss Somjintana Pholhirunrat, C.P.A. ( Thailand) Registration No. 5599 from DIA International Audi Co.,Ltd. The total amount of auditor fee for 2011 and 2012 were around 0.80 million Baht and 0.80 million Baht respectively.

### **3. The factors which may affect to the future operation or financial position**

- **The effects of changing the distributing channels**

Due to the 2nd quarter of 2012, the company had first introduced Made-In Nature product distributing via the large retailer or Modern Trade channel which have more cost of sales than the retailer channels that is the main current distributing way of the company. And if the company increases the sales by this channels, it will decrease the gross profit margin. However, the distribution in outright sales and consignment program will decrease selling expenses and general administrative such as selling staff cost, rental cost, commission and etc., this makes the net profit margin of Modern Trade distribution is near the other products. So, the company expects that the distribution via Modern Trade can approach the customers in widely range and hope that will affect to the total income and net profit to be increased in the future.

## Auditor's Report

To : The Shareholders of  
BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

I have audited the accompanying financial statements of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, including notes of summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

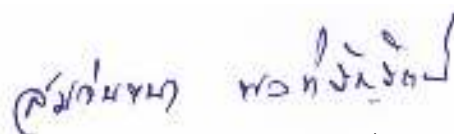
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of BEAUTY COMMUNITY PUBLIC COMPANY LIMITED as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with the financial reporting standards.

D I A International AuditCo., Ltd.



Miss Somjintana Polhirunrat)

C.P.A. (Thailand) Registration No. 5599

22 February 2013



## **APPENDIX 1**

**Directors and Executive's Profile of Beauty Community Public Company Limited**

## Directors and Executive's Profile of Beauty Community Public Company Limited

Name – Surname / Identification No.	Age (years)	Educational Qualifications	Relationship between Executives	% of Shareholding	Work experiences in past five years			
					Period	Position	Name of Organization / Company	Business Type
Let.Gen. Padet Charuchinda	72	- Bachelor of Science, Chulachomkloa Royal Military Academy  Certificate of Director Accreditation Program (DAP), Thai Institute of Directors	-	-	2012 – Present	Chairman and Independent Director	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
					2000 – Present	Advisor of Royal Thai Army	Royal Thai Army	Military Services
Mr.Suwin Kraibhubes	44	- Bachelor of Science, Faculty of Medicine, Chiang Mai University  Certificate of Director Accreditation Program (DAP), Thai Institute of Directors	Husband of Mrs.Tanyapon Kraibhubes	32.33%	2000 – Present	Chief Executive Officer, Director, Acting for Director of Marketing Department and Director of Product Development & Purchasing Department	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
Mrs.Tanyapon Kraibhubes	43	- Certificate in Nursing, Baromrajonani College of Nursing, Phayao  Certificate of Director Accreditation Program (DAP), Thai Institute of Directors	Wife of Mr.Suwin Kraibhubes	24.33%	2000 – Present	Director / Deputy Chief Executive Officer	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.

Name – Surname / Identification No.	Age (years)	Educational Qualifications	Relationship between Executives	% of Shareholding	Work experiences in past five years			
					Period	Position	Name of Organization / Company	Business Type
Mrs.Chayanunt Khueanphan	36	- Bachelor of Science, Associated Medical Sciences, Chiang Mai University  Certificate of Director Accreditation Program (DAP), Thai Institute of Directors	Wife of Mr.Nattapong Khueanphan	1.67%	2012 – Present	Director / Executive Director and Director of Corporate Communications Department	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
					2553 – 2554	Assistant Manager of Products Division	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
					2552 – 2553	Assistant Manager of Sales Division	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
					2548 – 2552	Sales Department Manager	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
Mr.Pratya Levan	43	- Bachelor of Engineering (B.E), Mechanical Engineering, University of Maine - Master of Science (M.S.), Mechanical Engineering, University of Kansas  Certificate of Director Accreditation Program (DAP), Thai Institute of Directors	-	1.67%	2012 – Present	Director / Executive Director, and Director of Information Technology Department	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
					2548 – 2554	Deputy Director of Information Technology System Division	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
Mr. Peerapong Kitiveshpokhawatt	50	- Bachelor of Science, Chiangmai University - Master of Business Administration Program in Marketing.	-	-	2011 – Present	Chairman of Audit Committee and Independent Director	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.

Name – Surname / Identification No.	Age (years)	Educational Qualifications	Relationship between Executives	% of Shareholding	Work experiences in past five years			
					Period	Position	Name of Organization / Company	Business Type
		Thammasat University and Gothenberg University, Sweden - Mini MBA in Franchise Nova Southeastern University, USA. - Doctor of Management, Sripatum University (Dissertation Pending) Certificate of Director Accreditation Program (DAP), Thai Institute of Directors	-		2012 – Present	Director	International Licensing Co., Ltd.	1. Consultancy and patent development for retail business, franchise, branch and license 2. Representative of Products, services and patents. Agents conducted the printing business and distribution.
					2007 – Present	Managing Director	Business Coach & Consulting Co., Ltd	Business Consultant
					1995 – Present	Director	B.T.C. Parts Center Co., Ltd.	Distribution spare parts of motorcycle
Col. Attapon Srisangwal	45	- Bachelor of Laws , Ramkhamhaeng University  Certificate of Director Accreditation Program (DAP), Thai Institute of Directors	-		2011 – Present	Audit Committee and Independent Director	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
					2011 - 2012	Chief of Staff Officer to the Royal Thai Army Commander Division	The Provost Marshal General	Military Services
					2006 – 2011	Chief of Investigation Department	The Provost Marshal General	Military Services
Mr.Viboon Pojanalai	36	- Bachelor of Accounting, Thammasat University - Master of Science in Risk Management and Financial Derivatives, Georgia	-		2011 – Present	Audit Committee and Independent Director	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
					2004 - Present	Senior Account Audit	AST Master Co., Ltd.	Auditing Services



Name – Surname / Identification No.	Age (years)	Educational Qualifications	Relationship between Executives	% of Shareholding	Work experiences in past five years			
					Period	Position	Name of Organization / Company	Business Type
Mr.Surapon Phetkleung	47	State University Certificate of Director Accreditation Program (DAP), Thai Institute of Directors - Bachelor of Accountancy (Accounting), Chiangmai University - Master of Business Administration , Kasetsart University	-	015%	2008 - Present	Manager	Asia Mineral Processing Co., Ltd.	Producing and distributing feldspar
					2011 – Present	Executive Director / Director of Finance & Accounting Department	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
					2005 – 2011	Finance & Accounting Division Manager	Thai-Scandic Steel Co., Ltd.	Producing of galvanized steel, zinc plated.
Ms.Sirikan Phattiveranon	46	- Bachelor of Business Administration, Faculty of Commerce and Accountancy Chulalongkorn University	-	001%	2012 – Present	Director / Director of Operation Department	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.
					2010 – 2011	Sales Division Manager	Areeya Property PCL	Real Estate and House Building
					2009 – 2010	Operation Division Manager	K D N Co., Ltd. (Krispy Kreme Thailand)	Distributing flour, equipment's, food mold and other material for bakeries
Mr.Nattapong Khueanphan	36	- Bachelor of Science, Faculty of Food Science and Technology, Chiangmai University	Husband of Mrs.Chayanunt Khueanphan	006%	2004 - 2009	Franchise Operation Division Manager	Swensen's (Thai) Co., Ltd.	Distributing Ice-Cream and Beverages
					2012 – Present	Executive Director / Director of Logistic& Administration	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.

Name – Surname / Identification No.	Age (years)	Educational Qualifications	Relationship between Executives	% of Shareholding	Work experiences in past five years			
					Period	Position	Name of Organization / Company	Business Type
					2006 -2012	Department Inventory and Delivery Division Manager, and Advisor of Human Resources and Administration Division	Beauty Community PCL.	Distribution of Cosmetics and Skin Treatment Products.

## APPENDIX 2

### Details of board, Executive, and Controlling person' s tenure of the company in related companies

#### Details of executive and controlling person' s tenure of the company in related companies.

A = Chairman, B = Director, C = Executive Board, D = Executive,  
E = Advisor / Board of Advisors  
X = Chairmn of the Audit Committee, Y = Audit Committee, Z = Independent Director

<div> <div>Name</div> <div>Related Companies</div> </div>	* Pol.Lt Gen. PADET CHARUCHINDA	Mr. SUWIN KRAIBHUBES	Mrs. TANYAPON KRAIBHUBES	Mrs. CHAYANUNT KHUEANPHAN	Mr. PRATYA LEVAN	Mr. PEERAPONG KITVESHPOKAWAT	Col. ATTAPON SRISANGWARN	Mr. VIBOON POJANALAI	Mr. SURAPON PHETKLUENG	Ms. SIRIKRAN PUTTIVERANON	Mr. NATTAPONG KHUEANPHAN
BEAUTY COMMUNITY PCL.	A,Z	B,C, D	B,C, D	B,C, D	B,C, D	X,Z	Y,Z	Y,Z	C,D	C,D	C,D
INTERNATIONAL RETAIL AND FRANCHISE BUSINESS R&D CENTER.						B					
BUSINESS COACH AND CONSULTING CO., LTD.						D					
B.T.C. PARTS CENTER CO., LTD.						B					
ASIA MINERAL PROCESSING CO.,LTD.								B			

## APPENDIX 3

### Internal Controlling System Adequacy Assessment Form

Beauty Community Public Company Limited

Dated December 31<sup>st</sup>, 2012

This assessment form is established by board of directors which is an opinion of the board regarding the adequacy of internal controlling system.



## Part 1: Organizational Control and Environment Measure

Organization and environment means having good organizational structure and environment which is an important foundation of an efficient internal controlling system. Therefore, there is a need to create conditions or factors which support the internal controlling system to be according to the expectation of the company. Moreover, it will generate controlling atmosphere which will enhances everyone in the company to be aware of the necessity of the internal controlling system such as management team sees the importance of honesty and morality in doing business, good management of organizational structure, clear roles, having written policies and practices, etc.

---

1.1 The board has administered in order to have clear business operation objectives which are measurable that the employees can use as their working guidelines or not?

☒ Yes

☐ No

The board has specified overall objectives including objective for each working section  
in order to use as operating guidelines for the employees.

1.2 The board has reviewed the operation objectives that the objective setting process has been cautiously done and also considered the possibility of reaching such objective. Moreover, the board has analyzed to provide reasonable incentive or reward which such incentive and reward are not excessive that might leads to fraud or misbehave (such as set the sales volume too high that might leads to falsifying the sales volume, etc.).

☒ Yes

☐ No

The board has set the objective for each section and has considered that the objective  
setting has been cautiously done and has possibility to be reached.

1.3 The company has established the organizational structure which enhances management team to be able to efficiently operate or not?

☒ Yes

☐ No

The company has established organizational structure which is clearly posted.

1.4 Company possesses written code of conduct and regulations to forbidden management and employees not to behave in the way that might cause conflict of interest to the business including punishments or not?

☒ Yes

☐ No

The company has established in written documents.

1.5 The company has imposed written policies and operating guidelines regarding monetary transaction, purchasing, and general management which are concise and able to prevent fraud or not?

☒ Yes

☐ No

\_\_\_\_ Company has imposed written operating guidelines which specify procedures in order to have  
\_\_\_\_ efficient administration and also preventing fraud. \_\_\_\_\_

1.6 Regarding establishing of policies and operation plan, the company has considered fairness to their business partner for the long term benefits of the company or not?

☒ Yes

☐ No

\_\_\_\_ Company has policy to give priority to their customer and business partner in order to create  
\_\_\_\_ satisfaction of customer's service and also to retain their customer in a long term. \_\_\_\_\_

## Part 2: Risk Management Measure

Running a business is surely operating amid business risks. The reasons of the risk might come from internal factors such as management lacks of honesty and morality, company expanded the business too quick which its system cannot support, lack of supervision, etc., and external factors such as changes in technology or consuming behavior that will effect company's market share. Therefore, in order to bring the company to be survived from such risks, management shall perform the followings consistently:

- (1) Consider or think over the identification of risk which is existed or expected to happen.
  - (2) Analyze the effect of the risk and the chance that such risk will occurred.
  - (3) Specify the measures in order to minimize the risk to suitable level.
- 

2.1 The company has consistently assessed the both internal and external risks which might significantly affect the business or not?

☒ Have ☐ Don't have

\_\_\_\_\_  
Company has set up meetings in order to assess the risks that might affect  
\_\_\_\_\_  
performance and its business.

2.2 Company has analyzed that which event might raise such risk factors or not?

☒ Have ☐ Don't have

2.3 Company has specified follow up measure of the event that is the reason of risk factors including measure to minimize such risks or not?

☒ Yes ☐ No

2.4 Company has informed all involved employees to acknowledged and perform according to specified risk management measures or not?

☒ Yes ☐ No

\_\_\_\_\_  
The company has set up meeting in order for the employees to acknowledge and  
\_\_\_\_\_  
performs following such measures.

2.5 Company has followed up whether sections have performed according to the specified risk management plan or not?

☒ Yes

☐ No

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### Part 3: Management Control Activities

Operation control from management is important activities to ensure that management's guidelines have been responded and performed by everyone on the company. The mentioned activities are:

- (1) Suitable identification of authority and level of approval
- (2) Separate responsibilities which might enhances fraud
- (3) Specify suitable procedures and means of transaction with major shareholders, board, management, or other involved personnel in order to prevent benefit transferring
- (4) Identify to ensure that the company has performed according to the law and related regulations

3.1 Company clearly identifies responsibilities and monetary approval level of management and in written or not?

☒ Yes

☐ No

3.2 Company completely separated responsibilities in the following 3 areas: (1) Approval (2) recording accounting items and information and (3) asset management in order to be able to inspect one another or not?

☒ Yes

☐ No

The company has clearly appointed personnel to take care of the mentioned 3 aspects separately.

3.3 In the case that company performs transaction with major shareholders, board, management, or other involved personnel, company has concise procedures in order to make such transactions to go through specified approval processes or not?

☒ Yes

☐ No

☐ There's no such case

3.4 In the case of having transaction activity stated in item 3.3, consideration to approve such transaction is performed by person who is not involved to the transaction or not?

☒ Yes

☐ No

☐ There's no such case

3.5 In the case of having transaction activity stated in item 3.3, the consideration to approve such transaction has taken maximum benefit of the company into account and considered as on arms' length basis or not?

☒ Yes

☐ No

☐ There's no such case

3.6 In the case that the approval of transaction to the involved person in the manner of long term bindings has been done (such as sale contract, loan, suretyship), the follow up in order to be conformed with agreed terms during the contract period has been done or not (such as follow up of debt payment, reviewing of suitability of the contract, etc.)?

☒ Yes

☐ No

☐ There's no such case

3.7 In the case of having means regarding transaction activity stated in item 3.3, such means cover the case that the person use the opportunity or company's benefit for their own benefits or not?

☒ Yes

☐ No

☐ There's no such case

3.8 In the case that the company has invested in its subsidiary company or joint-venture, company has consistently check the operation of its subsidiary company or joint-venture including guide the direction to the person who is appointed as board or management in the said companies or not?

☒ Yes

☐ No

☐ There's no such case

At present, the company has not invested in its subsidiary company or joint-venture.

However, if the company has invested in its subsidiary company or joint-venture,

company will manage to have a consistent operation inspection.

3.9 The company has means to make sure that their operation in conform to the related laws or not? This is to minimize risks and preserve company's reputation.

☒ Have

☐ Don't have

Company has consistently follows the related laws.

3.10 In the case of breaching the law in the past, the company has corrective and preventive means not to let such action occurs again or not?

☐ Have

☐ Don't have

☒ There's no such case

\_\_\_\_\_  
Company had a set of policies which provides protection against any breaches of the law.  
\_\_\_\_\_

**Part 4: Information and Communication Measure**

One principle for the board, management, shareholder, or related person in order to perform their work cautiously is making decision based on information that is adequate and has sufficient quality no matter such information is related to monetary or other information. Therefore, the communication of such information to related person is necessity and will help in creating effectiveness of the internal controlling system. Quality information shall have the following attributes:

- (1) Has sufficient content for decision making
- (2) Correct and complete
- (3) Up to date
- (4) Easy to understand
- (5) Well-stored

4.1 In order to propose such topic to the board for consideration, the company has provided sufficient information to the board for their decision making or not? (Such information is details of the proposed topic, reasons, affect to the company, alternatives, etc.)

☒ Yes

☐ No

\_\_\_\_\_The company provided information as supporting document before each meeting.

4.2 The board receives meeting appointment document or supporting document which specifies necessary information at the minimum period required by law before the meeting or not?

☒ Yes, receive 7 days before the meeting by average

☐ No

\_\_\_\_\_Company has sent out meeting appointment document including supporting document at least  
\_\_\_\_\_7 days before the meeting except in the emergency case.

4.3 Board of director's meeting report has sufficient details which allow shareholders to be able to check the suitability of the board's actions such as recording questions of the board, opinion and notice of the board regarding considered topic, opinion of the board who are not agree and their reasons, etc. or not?

☒ Yes

☐ No

\_\_\_\_\_Company has performed full and complete meeting report which covers all topics.



4.4 Company has stored complete accounting documents and its supporting documents, separated into categories, and never ben informed from auditor about its mistake, or have been informed about the mistake but has already corrected it or not?

☒ Yes

☐ No

\_\_\_\_\_  
Company completely stores the accounting documents.  
\_\_\_\_\_

4.5 The board has considered or not that management uses certified accounting policy and suitable for company's business by not using accounting policy that falsify the accounting results?

☒ Yes

☐ No

\_\_\_\_\_  
Company has specified accounting policy which is according to the certified accounting  
\_\_\_\_\_  
standard and also suitable to company's business.

## Part 5: Monitoring

In order for the company to efficiently and effectively operated, company should consistently monitor that the operation is align with objectives, internal controlling system is still consistently performed and has been modified to conform with the current situation, and all defects have been corrected on time.

5.1 In the case that the company has specified business objectives, the board has compared whether management's performance has meet the specified target or not?

☒ Yes ☐ No ☐ There's no such case

Company has consistently set board of director's meeting to acknowledge the performance.

5.2 In the case that the performance is differed from the specified target, company performs countermeasure within suitable timeframe or not?

☒ Yes ☐ No ☐ There's no such case

5.3 Company set consistent internal controlling system monitoring or not?

☒ Yes ☐ No

Company has performed monitoring of operation to be accordance to internal controlling system.

5.4 In the case of having internal audit, company has specified that the audit report must be directly reported to the board or inspection committee in order to let the internal auditors to be able independently audited and submit the opened report or not?

☒ Yes ☐ No ☐ There's no such case

Company has specified to submit internal audit report to board of director's meeting in every 3 months.

5.5 When a significant flaw is found, such error has been reported to the board of directors/ inspection committee in order to review and order to correct such flaw in the appropriate timeframe or not?

☒ Yes ☐ No ☐ There's no such case

If a significant flaw is found, company has a policy to report to board of directors and/or Inspection committee in order to consider and resolve such problem.

5.6 The company must report the progress of problem's solving to board of directors/ inspection committee or not?

☒ Yes

☐ No

\_\_\_\_\_  
Company has policy to monitor the progress of problem's solving which must report to board of  
\_\_\_\_\_  
directors/ inspection committee.

5.7 The company has policy to have management immediately reports board of directors when fraudulent event, event that might be fraudulent, breaching the law, and abnormal event which might significantly affect company's reputation and credit or not?

☒ Have

☐ Don't have

☐ There's no such case

\_\_\_\_\_  
Company has monitoring and fraud prevention system in place including has specified actions  
\_\_\_\_\_  
when fraudulent is suspicious. Moreover, company has policy to immediately report to board of  
\_\_\_\_\_  
directors in the case that significant fraudulent which affect company's operation is found.

## **APPENDIX 4**

**Beauty Community Public Company Limited**  
**Statements of Financial Position as at 31 December 2012**



**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**

**STATEMENTS OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2012**

*(Unit: Baht)*

<b>Assets</b>	<b>Note</b>	<b>2012</b>	<b>2011</b>
<b>Current assets</b>			
Cash and cash equivalents	5	298,264,197.19	105,236,513.11
Temporary investments	6	460,000,000.00	-
Trade and other receivables	7	11,763,267.71	6,997,606.45
Inventories	8	123,574,042.18	92,645,953.72
<b>Total current assets</b>		<b>893,601,507.08</b>	<b>204,880,073.28</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	122,111,200.12	94,643,138.90
Leasehold rights	10	12,035,852.20	13,261,480.60
Intangible assets	11	1,847,966.94	1,357,803.31
Other non-current assets	12	48,928,634.13	38,890,672.65
<b>Total non-current assets</b>		<b>184,923,653.39</b>	<b>148,153,095.46</b>
<b>Total assets</b>		<b>1,078,525,160.47</b>	<b>353,033,168.74</b>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**AS AT 31 DECEMBER 2012**

(Unit: Baht)

Liabilities and shareholders' equity	Note	2012	2011
<b>Current liabilities</b>			
Trade and other payables	13	68,832,567.88	63,800,108.74
Current portion of financial lease liabilities	14	266,129.62	373,500.27
Current portion of long-term loans	15	1,052,214.69	1,016,724.04
Accrued income tax		12,951,319.69	50,317,866.59
<b>Total current liabilities</b>		83,102,231.88	115,508,199.64
<b>Non-current liabilities</b>			
Financial lease liabilities	16	558,505.27	815,089.86
Long -term loans	15	4,919,111.94	6,086,461.39
Loans from directors	16, 18	-	954,073.32
Employee benefit obligations	17	1,281,551.00	987,304.00
Other non-current liabilities		2,212,754.30	1,616,400.00
<b>Total non-current liabilities</b>		8,971,922.51	10,459,328.57
<b>Total liabilities</b>		92,074,154.39	125,967,528.21
<b>Shareholders' equity</b>			
Share capital			
Authorized share capital			
300,000,000 common shares of Baht 1 each	19.1	300,000,000.00	
550,000 common shares of Baht 100 each	19.2		55,000,000.00
Issued and paid-up share capital			
300,000,000 common shares of Baht 1 each	19.1	300,000,000.00	
550,000 common shares of Baht 100 each			55,000,000.00
Premium on share capital	19.1	556,439,628.87	-
Retained earnings			
Appropriated			
Legal reserve	20, 21	10,787,500.00	-
Unappropriated		119,223,877.21	172,065,640.53
<b>Total shareholders' equity</b>		986,451,006.08	227,065,640.53
<b>Total liabilities and shareholders' equity</b>		1,078,525,160.47	353,033,168.74

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

		<i>(Unit: Baht)</i>	
	<i>Note</i>	<b>2012</b>	<b>2011</b>
Revenues from sales		769,887,779.59	612,075,315.29
Cost of sales		(221,161,961.08)	(175,161,521.77)
<b>Gross profit</b>		<b>548,725,818.51</b>	<b>436,913,793.52</b>
Other income			
Interest		4,178,036.85	950,193.45
Others		3,588,297.61	2,287,775.19
<b>Total other income</b>		<b>7,766,334.46</b>	<b>3,237,968.64</b>
Selling expenses		(255,071,421.39)	(168,660,614.38)
Administrative expenses		(82,450,901.06)	(72,803,075.42)
Finance costs		(456,496.46)	(978,875.83)
<b>Profit before income tax</b>		<b>218,513,334.06</b>	<b>197,709,196.53</b>
Income tax		(44,817,597.38)	(63,485,366.59)
<b>Profit for the year</b>		<b>173,695,736.68</b>	<b>134,223,829.94</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>173,695,736.68</b>	<b>134,223,829.94</b>
<b>Basic earnings per share</b>	<i>4.18</i>		
Earnings per share		1.35	21.53
Number of weighted average common shares (share)		128,565,574	6,232,877

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

(Unit: Baht)

	<i>Note</i>	Issued and paid-up share capital	Premium on share capital	Retained earnings (Deficit)		Total shareholders' equity
				Appropriated Legal reserve	Unappropriated	
<b>Balance as at 31 December 2011</b>		55,000,000.00	-	-	172,065,640.53	227,065,640.53
Increase - ordinary shares	19.1	245,000,000.00	556,439,628.87	-	-	801,439,628.87
Legal reserve	20,21	-	-	10,787,500.00	(10,787,500.00)	-
Dividend payment	21	-	-	-	(215,750,000.00)	(215,750,000.00)
Total comprehensive income for the year		-	-	-	173,695,736.68	173,695,736.68
<b>Balances as at 31 December 2012</b>		<u>300,000,000.00</u>	<u>556,439,628.87</u>	<u>10,787,500.00</u>	<u>119,223,877.21</u>	<u>986,451,006.08</u>
<b>Balance as at 31 December 2010</b>		5,000,000.00	-	-	37,841,810.59	42,841,810.59
Increase - ordinary shares	19.2	50,000,000.00	-	-	-	50,000,000.00
Total comprehensive income for the year		-	-	-	134,223,829.94	134,223,829.94
<b>Balance as at 31 December 2011</b>		<u>55,000,000.00</u>	<u>-</u>	<u>-</u>	<u>172,065,640.53</u>	<u>227,065,640.53</u>

Notes to financial statements are parts of these financial statements.



**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	<i>(Unit: Baht)</i>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Profit before income tax	218,513,334.06	197,709,196.53
Adjustment profit before income tax to cash receipt (disbursement)		
from operating activities		
Depreciation and amortization	22,667,566.17	17,346,389.54
Loss on devaluation of inventories	287,940.94	784,907.87
Reversed allowance for devaluation of inventories	(3,777,404.21)	-
Gain on sales of assets	(104,998.00)	(50,899.91)
Loss on write off of assets	404,754.33	1,606,739.54
Employee benefit expenses	294,247.00	744,079.00
Interest expenses	456,496.46	978,875.83
Profit from operation before changes of		
operating assets and liabilities	238,741,936.75	219,119,288.40
(Increase) Decrease in changes of operating assets		
Trade and other receivables	(4,765,661.26)	(3,668,395.48)
Inventories	(27,438,625.19)	(20,372,952.31)
Other non-current assets	(10,037,961.48)	(19,845,958.55)
(Increase) Decrease in changes of operating assets	(42,242,247.93)	(43,887,306.34)
Increase (Decrease) in changes of operating liabilities		
Trade and other payables	(8,386,440.57)	(1,932,408.03)
Other non-current liabilities	596,354.30	402,697.55
Increase (Decrease) in changes of operating liabilities	(7,790,086.27)	(1,529,710.48)
Cash generated (paid) from operation	188,709,602.55	173,702,271.58
Interest paid	(456,496.46)	(978,875.83)
Income tax paid	(82,184,144.28)	(26,162,497.77)
<b>Net cash provided by (used in) operating activities</b>	<b>106,068,961.81</b>	<b>146,560,897.98</b>

Notes to financial statements are parts of these financial statements.

## BEAUTY COMMUNITY PUBLIC COMPANY LIMITED

## STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

	<i>(Unit: Baht)</i>	
	2012	2011
<b>Cash flows from investing activities</b>		
Purchase of temporary investments	(460,000,000.00)	-
Purchase of building and equipment	(35,384,780.32)	(22,160,652.10)
Proceed from sales of equipment	105,000.00	2,624,252.34
Purchase of intangible assets	(1,001,238.92)	(945,680.52)
<b>Net cash provided by (used in) investing activities</b>	<b>(496,281,019.24)</b>	<b>(20,482,080.28)</b>
<b>Cash flows from financing activities</b>		
Payments for financial lease liabilities	(363,955.24)	(2,464,269.17)
Repayments for long-term loans from financial institution	(1,131,858.80)	(1,436,801.22)
Decrease in loans from directors	(954,073.32)	(33,039,899.16)
Proceeds from share capital increase	822,500,000.00	-
Payments for cost of sale share capital	(21,060,371.13)	-
Dividend paid	(215,750,000.00)	-
<b>Net cash provided by (used in) financing activities</b>	<b>583,239,741.51</b>	<b>(36,940,969.55)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>193,027,684.08</b>	<b>89,137,848.15</b>
<b>Cash and cash equivalents as at the beginning of period</b>	<b>105,236,513.11</b>	<b>16,098,664.96</b>
<b>Cash and cash equivalents as at the end of period</b>	<b>298,264,197.19</b>	<b>105,236,513.11</b>

Notes to financial statements are parts of these financial statements.

**BEAUTY COMMUNITY PUBLIC COMPANY LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

**1. GENERAL INFORMATION**

Beauty Community Public Company Limited (formerly named “Monapolitan Company Limited”) (“the Company”) was incorporated in Thailand as a company limited on 19 October 2000 and converted its status to be public company limited and changed the name of the Company on 31 July 2012. The Company registered as a listed company in The Stock Exchange of Thailand on 12 December 2012. The registered address is located at 10/915, Soi Nuanchan 34, Nuanchan, Bungkum, Bangkok

The principle business of the Company is to retail of cosmetics.

**2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in conformity with the financial reporting standards enunciated under the Accounting Professions Act B.E. 2547 and presented in accordance with the notification of Department of Business Development, the Ministry of Commerce dated 28 September 2011 regarding the condensed form should be included in the financial statements B.E. 2554 and the regulation of the Securities and Exchange Commission regarding the preparation and presentation of the financial reporting under the Securities and Exchange Act B.E. 2535.

The financial statements have been prepared under the historical cost convention, except as transaction disclosed in related accounting policy.

**3. NEW ACCOUNTING STANDARDS ISSUANCE**

The Federation of Accounting Professions issued new and revise financial reporting standards of which pronounced in the Royal Gazette but have not been effective in the year 2012 as follows:

	Contents	Effective date
Accounting Standards		
TAS 12	Income Taxes	1 January 2013
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2013
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rate	1 January 2013
Financial Reporting Standards		
TFRS 8	Operating Segments	1 January 2013

	Contents	Effective date
Standing Interpretations		
TSIC 10	Government Assistance-No Specific Relation to Operating Activities	1 January 2013
TSIC 21	Income Taxes-Recovery of Revalued Non-depreciable Assets	1 January 2013
TSIC 25	Income Taxes-Changes in the Tax Status of an Enterprises or its Shareholders	1 January 2013
TSIC 29	Service Concession Arrangements Disclosures	1 January 2014
Financial Reporting Interpretations		
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customers Loyalty Programmes	1 January 2014
Accounting Guidance		
	Transfers of Financial Assets	1 January 2013

The abovementioned financial reporting standards which are effective on 1 January 2013 and 2014, the Company is being evaluated the effects of those standards on the financial statements in the year in which they are initially applied.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1 Revenue and Expense recognition

###### *Revenue from sales*

Revenues from sales of goods are recognized as income whenever the goods, the significant risk and rewards of ownership have been transferred to the buyer.

###### *Other income and expenses*

Other revenues and expenses are recognised on accrual basis.



## 4.2 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash at banks, bills of exchange which are due within not exceed three months and without withdrawal restrictions.

## 4.3 Temporary investments

Temporary investments consist of short-term deposit with financial institution due over three months but not over 1 year and without withdrawal restrictions.

## 4.4 Trade and other receivables

Trade accounts and other receivable are stated at the net realizable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debtor aging.

## 4.5 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the average basis.

## 4.6 Property, plant and equipment

Land is stated at cost. Building and equipment are stated at cost less accumulated depreciation and provision for impairment of assets (if any).

Depreciation of building and equipment is calculated by reference to its cost on the straight-line basis over the following estimated useful lives: -

	Number of years
Building and improvement	20, 5
Furniture	5
Office tools and equipment	5
Computer	3
Vehicles	5

Land and construction in progress were not depreciated.

The Company includes the initial estimate of the cost of assets dismantling, removing the item and restoring the site on which it is located, the obligation for which the Company incurs as parts of cost of

property, plant and equipment, the depreciation charge has to be determined separately for each significant part of property, plant and equipment with the cost that is significant in relation to the total cost of assets item. In addition, the entity is required to review the useful lives, residual value and depreciation method at least at each financial year-end.

#### **4.7 Intangible assets**

Intangible assets are computer software which is stated at cost less accumulated amortization and provision for impairment of assets (if any).

Amortization is determined by reference to the cost of assets on a straight-line basis over the estimated useful lives for approximate 5 years.

#### **4.8 Leasehold rights**

Leasehold rights are stated at cost less accumulated amortization. Amortization is calculated by reference to cost of leasehold right on a straight-line basis over the lease periods for 7 and 10 years.

#### **4.9 Impairment of assets**

The Company has assessed the impairment of assets whenever events or changes indicate that the carrying amount of assets exceeds its recoverable value. The impairment loss will be recognized in statements of comprehensive income. The Company will reverse the impairment loss whenever there is no longer impairment or reduction in impairment.

Recoverable value of asset is the net selling price of the asset under current operations or its utilization values whichever is higher. The impairment will be assessed for each asset item or each asset unit generating cash flow, whichever is practical.

#### **4.10 Related parties**

Enterprise and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company which has a power in planning and operating control.

#### **4.11 Long-term lease**

##### ***Operating Lease***

Lease in which substantially all the risks and rewards of ownership of assets remain with the lessor is accounted for as operating lease. Rentals applicable to such operating leases are charged to the

statement of comprehensive income over the lease term.

### ***Finance leases***

Lease in which substantially all the risks and rewards of ownership other than legal title are transferred to the Company is accounted for as a financial lease. The Company capitalized the equipment at the lower of estimated present value of the underlying lease payments or at the fair value of the equipment at the contractual date. The lease obligation reduced with financial costs will be recorded as long-term liability. Interest is recognized as expenses in the statements of comprehensive income over the period of the lease. The depreciation policy for assets acquired under financial lease agreement is determined on the useful lives or over the period of the lease whichever is lower.

## **4.12 Transactions in foreign currencies**

The Company records the transactions in foreign currencies converting into Thai Baht by using the exchange rates ruling on the transaction dates. The outstanding balances of accounts in foreign currencies as at the statements of financial position date are converted into Thai Baht by using the exchange rates ruling on the same day.

Gain or loss on exchange is taken into income or expense as incurred.

## **4.13 Employee benefits and provident fund**

### **4.13.1. Employee benefits**

The Company provide for post employment benefits, payable to employees under the Thai Labor Law. The present value of employee benefit liabilities recognized in the statements of financial position is estimated on an actuarial basis using Projected Unit Credit Method. The calculation was made by utilizing various assumptions about future events. The Company is responsible for the selection of appropriate assumptions. The assumptions used in determining the net period cost for employee benefits include the discount rate, the rate of salary increment, and employee turnover. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis, the Company determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate, the Company and subsidiaries consider the market yield based on Thai government bonds with currency and term similar to the estimated term of benefit obligation.

The principal actuarial assumptions used were as follows;

Discount rate	At 4.31 % per annum for monthly staff At 4.57% per annum for daily staff
Employee turnover rate	Separate by age of monthly and daily staff
Mortality rate	At 50% of TMO 97 for monthly staff At 100 % of TMO 97 for daily staff

#### 4.13.2 Provident fund

The Company establish provident fund under the defined contribution plan. The fund's assets are separated entitles which are administered by the external fund manager. The Company employees made contribution into such provident fund. The Company's contribution payments to the provident fund were recorded as expenses in the statements of comprehensive income in the incurred period.

#### 4.14 Income tax

The Company records income tax to be paid in each year as expenses in the fiscal period based on the condition described in the Revenue Code.

#### 4.15 Financial instruments

Financial assets shown in statements of financial position consist of cash and cash equivalents and temporary investments and trade accounts receivable. Financial liabilities shown in statements of financial position consist of short-term loans from financial institutions, trade accounts payable, financial lease liabilities and long-term loans. Accounting policies regarding to recognition and measurement have been disclosed for each related transaction.

#### 4.16 Accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in certain circumstances, affecting amounts reported in these financial statements and related notes. Actual results could differ from these estimates.

The company makes estimates and assumptions concerning the future factors. The results of accounting estimates may be differed from the related actual results. The estimates and assumptions that may have a risk of causing an adjustment to the assets in the next financial year related to allowance for doubtful accounts, and provision for impairment of assets at the statements of financial position date. Other estimates are further described in the corresponding disclosures.



#### 4.17 Provisions

The Company recognizes a provision when an entity has a present legal or constructive obligation as a result of a past event. It is probable that an outflow of economic benefits resources will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. If some or all the expenditure is required to settle a provision, it is expected to be reimbursed when it is virtually certain that reimbursement will be received if the Company settles the obligation. The amount recognized should not exceed the amount of the provision.

#### 4.18 Basic earnings per share

Earnings (Loss) per share as presented in the statements of comprehensive income is the basic earnings (loss) per share which is determined by dividing the comprehensive income for the year by the number of weighted average common shares issued and paid - up during the year

For the year ended 31 December 2011, basic earnings per share is re-determined by the weighted average number of convertible ordinary shares as if the convertible share incurred since the first period of reporting.

The calculation of basic earnings per share for the year ended 31 December 2012 and 2011 is presented as follows:

	2012	2011
Total comprehensive income for the year	173,695,736.68	134,223,829.94
Number of ordinary shares issued as at 1 January	55,000,000	5,000,000
Effects of increase ordinary shares issuance	73,565,574	1,232,877
Weighted average number of ordinary shares (share)	128,565,574	6,232,877
Basic earnings per share (Baht/share)	1.35	21.53

**5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at 31 December 2012 and 2011 are as follows:

	<i>(Unit: Baht)</i>	
	<b>2012</b>	<b>2011</b>
Cash on hand	3,044,785.80	2,889,012.00
Current accounts	17,907,422.33	12,919,115.32
Savings deposit	146,561,520.81	48,978,757.79
Fixed deposits	100,000,000.00	10,000,000.00
Bills of exchange	30,000,000.00	30,000,000.00
Unbilled for credit card slip	750,468.25	449,628.00
<b>Total</b>	<b>298,264,197.19</b>	<b>105,236,513.11</b>

**6. TEMPORARY INVESTMENTS**

The company has temporary investment in form of short-term deposits at various local financial institutions as at 31 December 2012 and 2011 are as follows:

	At interest	<i>(Unit: Baht)</i>	
	rate per annum	<b>2012</b>	<b>2011</b>
Fixed deposits four months	3.10 – 3.20	360,000,000.00	-
Fixed deposits six months	3.25	100,000,000.00	-
<b>Total</b>		<b>460,000,000.00</b>	<b>-</b>

**7. TRADE AND OTHER RECEIVABLES**

Trade and other receivable as at 31 December 2012 and 2011 are as follows:

	<i>(Unit: Baht)</i>	
	<b>2012</b>	<b>2011</b>
Trade accounts receivables		
Franchise receivable	2,484,329.21	1,689,226.97
Employees receivable	141,491.34	213,744.00
Other parties receivable	543,028.91	-
<b>Total trade accounts receivable</b>	<b>3,168,849.46</b>	<b>1,902,970.97</b>

	<i>(Unit: Baht)</i>	
	<b>2012</b>	<b>2011</b>
<b>Other receivables</b>		
Prepaid expenses	1,472,660.07	1,161,963.26
Accrued income	3,940,056.73	259,625.55
Goods deposit	1,234,317.90	1,317,123.98
Employees receivable	-	1,085,994.00
Advance payment	253,176.00	-
Others	1,694,207.55	1,269,928.69
Total other receivables	<u>8,594,418.25</u>	<u>5,094,635.48</u>
Total trade and other receivable	<u>11,763,267.71</u>	<u>6,997,606.45</u>

As at 31 December 2012 and 2011 the Company has outstanding trade accounts receivable classified by aging as follows:

	<i>(Unit: Baht)</i>	
	<b>2012</b>	<b>2011</b>
Trade accounts receivable due in term	2,970,687.40	1,810,230.07
Overdue trade accounts receivable		
- Less than 3 months	186,415.72	91,725.70
- Over 3 months but less than 6 months	11,746.34	1,015.20
Total trade accoutns receivable	<u>3,168,849.46</u>	<u>1,902,970.97</u>

## 8. INVENTORIES

Inventories as at 31 December 2012 and 2011 are as follows:

	<i>(Unit: Baht)</i>	
	<b>2012</b>	<b>2011</b>
Finished goods	83,236,928.12	55,002,756.25
Packaging	31,629,635.99	36,096,468.22
Work in process	7,573,321.24	2,987,046.01
Supplies	1,422,097.77	2,337,087.45
Total	<u>123,861,983.12</u>	<u>96,423,357.93</u>
Allowance for devaluation of inventories	<u>(287,940.94)</u>	<u>(3,777,404.21)</u>
Net	<u>123,574,042.18</u>	<u>92,645,953.72</u>

**9. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment as at 31 December 2012 and 2011 consist of:

	Land	Building and improvement	Furniture	Office tools and equipment	Computer	Vehicles	Construction in progress	Total
<i>(Unit: Bah)</i>								
<b>Cost:</b>								
As at 31 December 2010	-	22,785,256.36	53,790,280.23	9,231,843.54	6,945,081.91	11,401,869.16	617,810.00	104,772,141.16
Purchase	19,240,000.00	-	22,098,330.84	3,957,348.20	1,740,589.76	1,653,000.00	5,398,847.43	54,088,116.23
Disposal	-	-	-	-	-	(8,428,500.00)	-	(8,428,500.00)
Write off/adjustment	-	6,016,657.43	(11,905,143.81)	(2,647,448.81)	(2,269,770.28)	-	(6,016,657.43)	(16,822,362.90)
As at 31 December 2011	19,240,000.00	28,801,913.79	63,983,467.26	10,541,742.93	6,415,901.39	4,626,369.16	-	133,609,394.53
Purchase	-	1,246,438.03	33,482,945.75	3,848,543.89	2,961,164.02	5,546,728.98	624,000.00	47,709,820.67
Disposal	-	-	-	-	-	(425,000.00)	-	(425,000.00)
Write off/adjustment	-	42,200.00	(3,175,510.63)	1,060,477.16	(212,437.42)	3,900.00	-	(2,281,370.80)
As at 31 December 2012	19,240,000.00	30,090,551.82	94,290,902.38	15,450,763.98	9,164,627.99	9,751,998.14	624,000.00	178,612,844.21
<b>Depreciation:</b>								
As at 31 December 2010	-	(5,100,656.26)	(22,718,297.78)	(5,504,879.03)	(4,530,789.19)	(6,372,860.38)	-	(44,227,482.60)
Depreciation	-	(1,159,043.40)	(9,667,707.03)	(1,510,675.71)	(1,518,049.84)	(1,954,570.00)	-	(15,810,045.90)
Disposal	-	-	-	-	-	5,855,147.57	-	5,855,147.57
Write off/adjustment	-	(3,120.88)	10,701,191.97	2,322,354.58	2,198,357.62	(2,657.87)	-	15,216,125.42
As at 31 December 2011	-	(6,262,820.54)	(21,684,812.84)	(4,693,200.16)	(3,850,481.41)	(2,474,940.68)	-	(38,966,255.60)
Depreciation	-	(1,575,130.62)	(14,237,403.70)	(2,171,623.43)	(1,875,638.69)	(1,071,066.04)	-	(20,930,862.40)
Disposal	-	-	-	-	-	424,998.00	-	424,998.00
Write off/adjustment	-	(10,592.60)	2,483,566.79	295,905.17	201,711.93	(115.37)	-	2,970,475.92
As at 31 December 2012	-	(7,848,543.76)	(33,438,649.75)	(6,568,918.42)	(5,524,408.17)	(3,121,124.09)	-	(56,501,644.11)
Net book value:								
As at 31 December 2011	19,240,000.00	22,539,093.25	42,298,654.42	5,848,542.77	2,565,419.98	2,151,428.48	-	94,643,138.90
As at 31 December 2012	19,240,000.00	22,242,008.06	60,857,252.63	8,881,845.56	3,640,210.82	6,630,874.05	624,000.00	172,111,700.00

Depreciation for the year ended 31 December 2012 and 2011 amounted to Baht 20.93 million and Baht 15.81 million respectively.

As at 31 December 2012 and 2011, the Company has fixed assets at cost amount of Baht 10.67 million and Baht 11.05 million respectively which have been fully depreciated but are still in use.

As at 31 December 2012 and 2011, the Company has vehicles under financial lease at carrying value amount of Baht 1.17 million and Baht 1.78 million respectively.

## 10. LEASEHOLD RIGHTS

	<i>(Unit: Baht)</i>	
	31 December 2012	31 December 2011
<b>Cost:</b>		
At the beginning of the year	20,408,980.80	20,408,980.80
At the end of the year	20,408,980.80	20,408,980.80
<b>Accumulated amortization:</b>		
At the beginning of the year	7,147,500.20	5,921,871.80
Amortization	1,225,628.40	1,225,628.40
At the end of the year	8,373,128.60	7,147,500.20
<b>Net book value</b>	<b>12,035,852.20</b>	<b>13,261,480.60</b>

Amortization of leasehold right for the year ended 31 December 2012 and 2011 amounted to Baht 1.23 million.

The Company used leasehold right at carrying as at 31 December 2012 and 2011 amount of Baht 12.04 million and Baht 13.26 million respectively as guarantee against long-term loans from financial institution as stated in note 15.

## 10. INTANGIBLE ASSETS

	<i>(Unit: Baht)</i>	
	31 December 2012	31 December 2011
<b>Computer software</b>		
<b>Cost:</b>		
At the beginning of the year	2,137,155.52	1,401,575.00
Purchase	1,001,238.92	945,680.52
Disposal	-	(210,100.00)
At the end of the year	3,138,394.44	2,137,155.52
<b>Accumulated amortization:</b>		
At the beginning of the year	779,352.21	678,234.99
Amortization	511,075.29	310,715.16
Disposal	-	(209,597.94)
At the end of the year	1,290,427.50	779,352.21
<b>Net book value</b>	<b>1,847,966.94</b>	<b>1,357,803.31</b>



Amortization of intangible assets for the year ended 31 December 2012 and 2011 amounted to Baht 0.51 million and Baht 0.31 million.

## 12. OTHER NON-CURRENT ASSETS

Other non-current assets as at 31 December 2012 and 2011 consist of:

	<i>(Unit: Baht)</i>	
	31 December 2012	31 December 2011
Rental and services deposit	47,911,662.17	38,083,030.44
Others	1,016,971.96	807,642.21
Total	<u>48,928,634.13</u>	<u>38,890,672.65</u>

## 13. TRADE AND OTHER PAYABLES

Trade and other payables as at 31 December 2012 and 2011 consist of:

	<i>(Unit: Baht)</i>	
	31 December 2012	31 December 2011
Trade accounts payable		
Trade accounts payable	36,897,819.50	31,105,942.54
Notes payable	207,439.42	2,969,307.71
Total trade accounts payable	<u>37,105,258.92</u>	<u>34,075,250.25</u>
Other payables		
Accrued expenses	14,924,903.52	12,669,238.65
Revenue Department payable	4,254,544.91	4,158,454.75
Assets payables	12,535,040.35	12,687,464.13
Others	12,820.18	209,700.96
Total other payables	<u>31,727,308.96</u>	<u>29,724,858.49</u>
Total trade and other payables	<u>68,832,567.88</u>	<u>63,800,108.74</u>

#### 14. FINANCIAL LEASE LIABILITIES

Long-term financial lease liabilities will be due under financial lease as follows:

	<i>(Unit: Baht)</i>	
	31 December 2012	31 December 2011
Within 1 year	297,527.96	419,568.00
Over 1 year but less than 5 years	558,505.27	870,681.00
Total	856,033.23	1,290,249.00
Less: Deferred interest	(31,398.34)	(101,658.87)
Present value of the minimum amount to be paid under financial lease	824,634.89	1,188,590.13
Less: Current portion of liabilities	(266,129.62)	(373,500.27)
Net	558,505.27	815,089.86

#### 15. LONG-TERM LOANS FROM FINANCIAL INSTITUTION

	<i>(Unit: Baht)</i>	
	31 December 2012	31 December 2011
Long-term loans from bank	5,971,326.63	7,103,185.43
Less: Current portion of loans	(1,052,214.69)	(1,016,724.04)
Net	4,919,111.94	6,086,461.39

On 31 July 2009, the Company has obtained loans in Thai Baht currency from local bank for credit amount of Baht 9.46 million (withdrawn in full) in order to settle leasehold right and related other expenses. These loans are charged interest rate at the rate of MLR-1.5% for the first three year and MLR-1% thereafter. The principal and interest is repayable on a monthly basis not less than Baht 0.13 million each, commenced in October 2009 and the loans repayment should be completed in September 2017.

Such loans are guaranteed by assigning leasehold right agreement as stated in note 10 including the benefit from insurance policy of those assets to the lender and the Company's director guarantee.

#### 16. LOANS FROM DIRECTORS

The Company has obtained loans from director in order to use as the Company's working capital without agreement entering and interest bearing.

**17. EMPLOYEE BENEFIT OBLIGATIONS**

Long-term employee benefit obligations are compensation paid to employees when they retired as at 31 December 2012 are as follows:

	<i>(Unit: Baht)</i>
Employee benefit obligations as at 31 December 2011	987,304.00
Current costs of services and interest	294,247.00
Benefits paid during the period	-
Employee benefit obligations as at 31 December 2012	<u>1,281,551.00</u>

**18. TRANSACTION WITH RELATED PERSONS AND PARTIES**

The Company had transaction with related persons and parties. These transactions are related in the normal course of business and on the basis of the Company and related persons or parties concerned

Relationship of the Company and related persons and parties can be summarized as follows:

<u>Related persons and persons name</u>	<u>Relationship</u>	<u>Related transactions</u>
<i>1. Persons consist of:-</i>		
Mr.Suwin Kraibhubes	Shareholder and director	Loans form director
Mrs. Tanyapon Kraibhubes	Shareholder and director	Loans form director, guarantee liabilities without remuneration
Mr. Pratya Levan	Shareholder and director (since 20 April 2012)	Sale of goods (franchise), purchase of goods
Mr. Wasan Khocharoen	Director's relative and authorized person from directors of Thanaphumi Body of persons	Sale of goods
<i>2. Body of persons consist of:-</i>		
Thanaphumi Body of persons	Director's relative, shareholder and director (by Mr. Wasan Khocharoen and Mrs. Tanyapon Kraibhubes )	Land rental, land with its construction rental

<u>Related persons and persons name</u>	<u>Relationship</u>	<u>Related transactions</u>
C&N International Ordinary Partnership	Shareholder and director , and director's relative ( by Mr. Praty Levan)	Sale of goods (franchise)
Bevita International Co., Ltd.	Director's relative (Mrs. Rukchanok Chiangtong is near relative of Mr. Praty Levan)	Purchase of goods
V&P Ordinary Partnership	Director's relative (by Mr. Wasan Khocharoen )	Sale of goods (franchise)
S&V Ordinary Partnership	Director's relative (by Mr. Wasan Khocharoen)	Sale of goods (franchise)

(Note: from 1 October 2012, Mr. Wasan Khocharoen is not related person of the Company since there is no any land lease transactions with Thanaphumi Body of persons.)

<u>Related transactions</u>	<u>Pricing policy</u>
Revenues from sales (franchise)	Market price as applicable to other franchises
Other income	As indicated in agreement
Purchase of goods	Market price as applicable to major customers
Land rental	As indicated in agreement
Land with its construction rental	As indicated in agreement equal to appraisal value of independent appraiser

18.1 Transactions between the Company with related persons and parties can be summarized as follow:

(Unit: Baht)

	<u>For the years ended December 31,</u>	
	<b>2012</b>	<b>2011</b>
<b>Revenues from sales</b>		
C&N International Ordinary Partnership	3,755,926.07	-
V&P Ordinary Partnership	2,767,838.21	2,472,390.38
Mr. Wasan Khocharoen	276,072.58	715,661.40
<b>Other income</b>		
C&N International Ordinary Partnership	8,970.00	-
V&P Ordinary Partnership	438,098.37	514,145.76
S&V Ordinary Partnership	18,691.59	-
Mr. Wasan Khocharoen	4,379.26	33,213.58
<b>Purchase of goods</b>		
Bevita International Co., Ltd.	5,259,346.00	4,892,523.36

*(Unit: Baht)*

	<b>For the years ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Land rental</b>		
Thanaphumi Body of persons	-	944,516.13
<b>Land with its construction rental</b>		
Thanaphumi Body of persons	348,000.00	-
(since 1 October 2012, rented from Mrs. Tanyapon Kraibhubes )		
<b>Purchase of land</b>		
Mr.Suwin Kraibhubes and Mrs. Tanyapon Kraibhubes	-	19,240,000.00
( note 19.2 )		

18.2 The balance with its related persons and parties as at 31 December 2012 and 2011 are as follow:

*(Unit: Baht)*

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
<b>Trade accounts receivable</b>		
C&N International Ordinary Partnership	351,673.50	-
V&P Ordinary Partnership	-	307,706.96
Mr. Wasan Khocharoen	-	98,241.38
<b>Trade accounts payable</b>		
Bevita International Co., Ltd.	980,000.00	-
<b>Loans from directors</b>		
Mr.Suwin Kraibhubes and Mrs. Tanyapon Kraibhubes	-	954,073.32

18.3 Guarantees

As at 31 December 2012, Mrs. Tanyapon Kraibhubes, the Company's director got into guarantee without remuneration as follow:-

Guarantee financial lease liabilities (note 14)

Guarantee loans under long-term loans agreement (note 15)

## 19. SHARE CAPITAL

19.1 According to the shareholders' extraordinary meeting No. 2/2012 held on 31 July 2012, the Company passed the resolution to proceed with the following:

- 1.) Changes par value of share capital from Baht 100 each for 550,000 shares amounting to Baht 55 million to Baht 1 each for 55,000,000 shares amounting to Baht 55 million. The Company has registered the changes in par value of share capital with the Ministry of Commerce on 31 July 2012.



2.) Increase ordinary shares of the Company for the another Baht 245 million from Baht 55 million to Baht 300 million divided into 300 million shares of Baht 1 each. The Company has registered the increase share capital with the Ministry of Commerce on 31 July 2012. The increase share capital amount of Baht 245 million divided into 245 million shares of Baht 1 each were allotted to two directors for 162.50 million shares, the public for 80 million shares and the Company's employees for 2.50 million shares. The Company has received the payment from those directors amount of Baht 162.50 million for 162.50 million shares on 31 July 2012 and on 1 August 2012 for shares offering to public and the Company's employee total amount of Baht 82.50 million at the offering price of Baht 8.00 per share. Such increase share capital was subscribed total amount of Baht 660 million, resulted premium on ordinary shares amount of Baht 577.50 million. The Company has taken expenses from offering share to offset premium on share capital amount of Baht 21.06 million, the remaining premium is Baht 556.44 million the company has registered the changes of share capital with the ministry of commerce on 6 December 2012.

19.2 According to the shareholders' extraordinary meeting No.1/2011 held on 22 December 2011, the Company passed the resolution to proceed with the following:

- 1.) Increase the Company's share capital from Baht 5 million to Baht 55 million by issuing new 500,000 ordinary shares of Baht 100 each amounting to Baht 50 million which allotted to the existing shareholders.
- 2.) Pay the increase share capital by the other assets rather than monetary, land in which the ownership belongs to Mr.Suwin Kraibhubes and Mrs. Tanyapon Kraibhubes that had fair value from appraisal value by the independent appraiser amount of Baht 19.24 million and received the transferring of loans repayment from directors in the amount of Baht 30.76 million.

The Company has registered the increase share capital with the Ministry of Commerce on 23 December 2011.

## **20. LEGAL RESERVE**

By virtue of the Public Companies Act B.E. 2535, the Company is required to set aside a legal reserve at least 5% of annual net profit until after deduction with deficit brought forwards (if any) until the reserve reaches an amount of 10% of the authorized share capital. Such legal reserve is not available for dividend distribution

## 21. DIVEDEND PAID

- 1.) According to the shareholders' extraordinary meeting No.2/2012 held on 31 July 2012, the Company passed the resolution to proceed the dividend payment for which the Compnay has retained earnings up to 31 December 2011 amount of Baht 172.07 million, net profit for the three-month periods ended 31 March 2012 amount of Baht 38.03 million, retainings earnings as at 31 March 2012 amount of Baht 210.10 million. The Company has resolution to pay dividend from such retained earning to the shareholders whose names appear in the shareholders register as at 30 June 2012 for 550,000 shares at Baht 329 each amounting to Baht 180.95 million. Such dividend was paid on 31 July 2012 and 1 August 2012 and appropriated for legal reseve amount of Baht 9.05 million.
- 2.) According to the Board of directors' meeting No.5/2012 held on 6 August 2012, the Company passed the resolution to pay interim dividend from the results of operations for the six months ended 30 June 2012 to the shareholders whose names appear in the shareholders register as at 8 August 2012 for 217.5 million shares at Baht 0.16 each amounting to Baht 34.80 million. Such dividend was paid on 10 August 2012 and appropriated for legal reseve amount of Baht 1.74 million.

The Company has paid the above mentioned dividend total amount of Baht 215.75 million and appropriated legal reserve amount of Baht 10.79 million.

## 22. DIRECTORS' REMUNERATION AND MANAGEMENT BENEFIT EXPENSES

### 22.1 Directors' remuneration

Directors' remuneration is benefit paid to the Company's directors in accordance with the Section 90 of the Public Company Limited Act B.E. 2535 excluded salaries and related benefits to be paid to executive directors.

### 22.2 Management benefit expenses

Management benefit expenses focus salaries, remunerations and other benefits paid to their directors and management, in accordance with the definitions of the Office of the Securities and Exchange Commission. Management under definition includes a chief executive officer, the next four executive levels immediately below that chief executive officer and all persons in positions comparable to these fourth executive levels and includes the accounting and financial executive officer, the manager level above or persons in position comparable.

## 23. PROVIDENT FUND

The Company and employees have jointed to be a member of provident fund name "THE SIN SATA PORN REGISTERED PROVIDENT FUND" in accordance with the Provident Fund Act B.E. 2530. The Company and employees have to contribute to the fund at the same rate 3-5% of employees' salaries. The provident fund is managed by BBL Asset Management Co., Ltd. The employees will entitle the accumulation and benefit when they retired according to the provident fund regulation.

The Company has paid the contribution to the fund for the year ended 31 December 2012 amount of Baht 0.91 million.

## 24. EXPENSE ANALYZED BY NATURE

The significant expenses analyzed by nature for the years ended 31 December 2012 and 2011 as follow:

	<i>(Unit: Baht)</i>	
	2012	2011
Chnages in finished goods		
and work in progress	(32,820,447.10)	(19,097.02)
Purchase of goods	252,119,487.01	193,782,414.97
Employee benefit expenses	116,743,452.97	84,169,872.68
Management benefit expenses	15,773,511.38	13,316,775.90
Directors' remuneration	1,013,827.00	50,000.00
Depreciation and amortization	22,667,566.17	17,346,389.54
Rental and services	107,645,713.00	74,837,045.87
Advertising and sales promotion expenses	17,507,632.37	6,924,081.85
Loss from devaluation of inventories	287,940.94	784,907.87
Reversed allowance for devaluation of inventories	(3,777,404.21)	-

## 25. FINANCIAL INFORMATION BY SEGMENT

The Company's operations involve virtually a single in retail of cosmetics business in the geographical segment in Thailand for selling goods to franchise and Business Centre. Besides, the Company has revenue from sale lower than 10 % of total sale amount so the Company did not present financial information by segment.

## 26. COMMITMENT AND CONTINGENT LIABIILTIES

The Company has obligations under lease of space and services agreements of the Company's branches for the periods from 1year to 3 years. The Company is liable on payment rental and service under agreement as at 31 December 2012 as follows:

	<i>(Unit:Baht)</i>
Payment within	
1 year	111,410,223.12
Over 1 year but less than 3 years	105,622,602.43
Total	<u>217,032,825.55</u>

## 27. DISCLOSURE AND PRESENTATION OF FINANCIAL INSTRUMENTS

For off-statement of financial position, the Company has no policy to hold derivative financial instruments for speculation and trading.

### 27.1 Management risk policy

The significant financial instruments of the Company under the definition of TAS 32 “Financial Instruments: Disclosure and Presentation” principally comprise cash and cash equivalents, trade accounts receivable and payable, financial lease liabilities and long-term loans. The Company has a risk in respect of such financial instruments and has management risk policy as follow:

#### *Credit risk*

The Company is exposed to credit risk primarily with respect to trade and other receivables. The Company manages the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company do not have high concentrations of credit risk since it has a little of customer base since its policy is in the form of cash selling. The maximum exposure to credit risk is limited to the carrying amounts of receivables and loans as stated in the statement of financial position.

#### *Interest rate risk*

The Company’s exposure to interest rate risk relates primarily to their cash at financial institutions, bank overdrafts, loans, and short-term and long-term borrowings. However, since most of the Company’s financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate. The interest rate risk is expected to be minimal. Details of interest and maturity of loans has been disclosed in notes 15 to financial statements.

#### *Exchange rate risk*

The Company exposed to foreign currencies exchange rate risk in the minimum level since the business transactions denominated in Thai Baht currency.

### 27.2 Fair value of financial instruments

Most of the Company's financial assets and liabilities are classified as short-term, and the rates of loan interest are based on the market value. The book value of financial assets and liabilities shown in statements of financial position are close to their fair value. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm’s length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## **28. CAPITAL MANAGEMENT**

The objective of capital management of the Company is to appropriate properly financial structure and to preserve the ability to continue its operation as a going concern.

As at 31 December 2012, the Company has debt to equity ratio equal to 0.09.

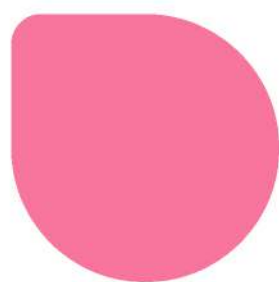
## **29. EVENTS AFTER THE REPORTING PERIOD**

According to the minutes of Board of directors' meeting No1/2012 held on 22 February 2013, passed the resolution to submit the approval to the shareholders' meeting for dividend payment from the 2012 results of operation for the increment from interim dividend payment as stated in note 21 for 300 million shares at Baht 0.35 each, totaling Baht 105.00 million.

## **30. FINANCIAL STATEMENTS APPROVAL**

These financial statements were approved and authorized for issue by the Company's Board of directors on 22 February 2013.

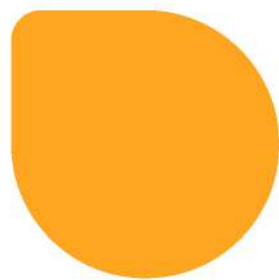




## BEAUTY

เราเชื่อว่าความสวยคือความสุข เราขอเป็นสื่อการสร้างความสุข  
จากความสวยทั้งภายนอกและภายในเพื่อสุขภาพที่ดี

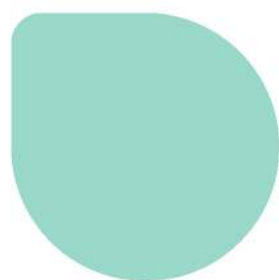
**We believe that beauty is happiness. We would like to be  
the creator of beauty, inner and outer, for the healthy life.**



## COMMUNITY

ชุมชนแห่งความสวย ลูกค้าเป็นพู่ที่มีส่วนสำคัญ เรามีความรู้และเคล็ดลับ  
ความงามที่แบ่งปันกัน มีกิจกรรมร่วมกับลูกค้าอย่างต่อเนื่อง

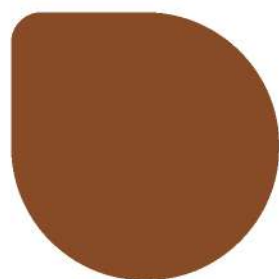
**Community of beauty , customer are the vital part.  
We continuously share tips , beauty secrets and conduct  
activities with our customers.**



## LIFE STYLE

เราจะสร้างสรรค์สิ่งใหม่ๆ เพื่อตอบสนองวิถีชีวิตและ  
การเปลี่ยนแปลงตามยุคสมัย

**We create new products to meet the needs  
of new life style and changes.**



## ECO FRIENDLY

เลือกใช้วัสดุและส่วนประกอบธรรมชาติ  
ที่เป็นมิตรกับสิ่งแวดล้อม

**We use material and ingredients that  
are environmental friendly.**







**BEAUTY COMMUNITY**  
PUBLIC COMPANY LIMITED

**บริษัท บีวตี้ คอมมูนิตี้ จำกัด (มหาชน)**

10/915 ซอยนวลจันทร์ 34 แขวงนวลจันทร์ เขตบึงกุ่ม กรุงเทพฯ 10230

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